WILLKIE FARR & GALLAGHER LLP **MEMORANDUM**

TO: Files

CC: San Diego Audit Committee

FROM: Willkie Farr & Gallagher LLP

RE: Interview of Carol Bonavolant on April 18, 2006

DATED: May 16, 2006

On April 18, 2006, Brian Turetsky, in Willkie Farr & Gallagher LLP's capacity as counsel to the Audit Committee, interviewed Carol Bonavolant. Ms. Bonavolant was not represented by counsel at this interview. Also in attendance were Carolyn Miller and Raymond Sarola of Willkie Farr, and Donielle Evans of KPMG.. The interview took place in a conference room on the 3rd floor of the City Administration Building in San Diego and lasted approximately two hours.

The following memorandum reflects my thoughts, impressions, and opinions regarding our meeting with Carol Bonavolant, and constitutes protected attorney work product. It is not, nor is it intended to be, a substantially verbatim record of the interview.

Warnings

Mr. Turetsky began the interview by explaining the circumstances and purpose of the City of San Diego's (the "City") creation of the Audit Committee, noting that information obtained during the course of the interview would likely be used in our analysis of the issues and would be reflected in an Audit Committee report. Mr. Turetsky explained that Willkie does not represent Ms. Bonavolant personally, but we would be treating matters discussed during the interview as confidential until the release of the Audit Committee's report, after which it seems likely that any privilege attaching to our interview memoranda will be lost. Mr. Turetsky stated that because we do not represent Ms. Bonavolant, the interview is not covered by an attorney-client privilege between the Audit Committee and the witness. Mr. Turetsky, however, asked Ms. Bonavolant to keep the interview confidential. Mr. Turetsky further explained that, if requested, we would provide information we learn to the government or the City's outside auditor, KPMG, so it is important that Ms. Bonavolant be accurate and truthful.

Background

Ms. Bonavolant started working for the City on December 15, 2000, as Confidential Assistant to Mayor Dick Murphy. Ms. Bonavolant began her career working for various banks, first in Utah and later in California. She became an intermediate clerk typist with the County of San Diego in 1975, and a Superior Court Clerk in 1983. As a Superior Court Clerk, Ms. Bonavolant worked for Dick Murphy when he was elevated to Superior Court judge and moved to San Diego. She continued to work for Mr. Murphy once he was elected Mayor, becoming his Confidential Assistant when he entered office. Ms. Bonavolant was out of work on disability for a period of time before she retired, which she did before Mayor Murphy left office.

Mr. Turetsky asked Ms. Bonavolant when she had last spoken to Mayor Murphy. Ms. Bonavolant replied that she spoke with Mayor Murphy last week, and told him that she was going to be interviewed. The Mayor responded that many people were being interviewed. Ms. Bonavolant told the Mayor that her communication with Willkie Farr had been that she did not have any information useful for the Audit Committee's investigation.

The Mayor's Office

In her own words, Ms. Bonavolant served as the "gatekeeper" to the Mayor's office. She answered the Mayor's personal phone calls and opened his personal mail. Mail that was not personal was rerouted to the appropriate department in the office. Ms. Bonavolant would also compose certain personal correspondence and reply to correspondence on the Mayor's behalf. It was her responsibility to ascertain the value of gifts that would come into the office in order to determine if the Mayor could accept them.

All calls to the Mayor would initially come through the receptionist. Personal calls would be routed to Ms. Bonavolant; business-related calls would be routed to John Kern, the Mayor's Chief of Staff. Ms. Bonavolant stated that the Mayor's senior staff would sometimes speak with the Mayor on his home or cell phone. Ms. Bonavolant's desk was next to the Mayor's office, with Mr. Kern sitting across the hall. Mr. Turetsky asked if she would be able to see everyone that came into the office to meet with the Mayor. Ms. Bonavolant replied that she would. Since the public entrance to the Mayor's office was near her desk, people would have to walk past Ms. Bonavolant in order to see the Mayor. There was also a separate employee's entrance to the Mayor's office.

Ms. Bonavolant would inform the Mayor when all the participants to a meeting were present in his office, though she never sat in on meetings herself. Ms. Bonavolant stated that she worked from 8:00 a.m. until 5:00 p.m. and that the Mayor would sometimes stay until 9:00 p.m. or later.

John Kern worked as the Mayor's Chief of Staff until April 2, 2005, when he retired, and was replaced by Tom Story who served in that capacity until Mayor Murphy left office in July 2005. Rudy Fernandez served as advisor to the Mayor and handled military affairs, interactions with foreign governments (specifically Mexico), and new businesses. Dennis Gibson was another advisor to the Mayor and handled sports and other matters. Rachel Shira was the Mayor's scheduler, and Ms. Bonavolant listed her and Mr. Kern as those who had direct access to the Mayor.

The Mayor would receive confidential communications from the City Attorney's Office. Ms. Bonavolant would check with Mr. Kern to determine to whom the communications should be distributed. These communications would be given either to Mr. Kern himself or other senior staff who were responsible for that subject matter. Mr. Turetsky asked if all correspondence would be dealt with in this manner. Ms. Bonavolant stated that certain people tried to "sneak past" this distribution system in order to get their correspondence read directly by the Mayor.

Ms. Bonavolant was responsible for keeping the Mayor to his schedule and informing him when his time for a given meeting was up. The Mayor was generally able to keep to his schedule, though there were rare emergencies that forced him to deviate. When the Mayor was in a meeting, representatives from City agencies would sometimes ask Ms. Bonavolant to interrupt the meeting or pass the Mayor a note; Ms. Bonavolant was not aware of the substance of these communications.

Ms. Bonavolant kept files of personal correspondence to the Mayor that was sent to her. These files are currently in storage, but would not include the Mayor's responses to that correspondence. Mr. Turetsky asked where those replies could be found, and Ms. Bonavolant suggested that they may be in the files of senior staff.

According to Ms. Bonavolant, Councilmembers would often come by the Mayor's office, for scheduled meetings or otherwise. They would all need to go through Ms. Bonavolant to speak with the Mayor. In response to being asked if the Mayor was friends with any particular Councilmembers, Ms. Bonavolant noted that Jim Madaffer and Tom Story attended the same church as the Mayor. When asked if any Councilmember visited the Mayor more frequently, Ms. Bonavolant stated that Ralph Inzunza "seemed to think he was more important than anyone else." Councilmember Inzunza was always late for meetings and would rush up to the Mayor's office and request to speak with him immediately. Other than Councilmember Inzunza, no other Councilmember stood out in her memory in this regard.

The Mayor's Interaction with Other City Officials

Ms. Bonavolant stated that the Mayor met with all Councilmembers on a fairly even basis, though he may have met more frequently with those Councilmembers who were on a subcommittee with him. According to Ms. Bonavolant, the Mayor served on the Transit and Mission Trails Committees, and sometimes on the Rules Committee. Bill Baber was the Rules Committee Consultant for the Mayor and also served as the "Docket Coordinator," and it was his job to brief the Mayor on the City Council docket. When the Mayor wished to place items on the Council docket, he would meet with his Deputy Chief of Staff, Paula Avilla, who would get the necessary paperwork to the City Attorney's office. Ms. Avilla also worked with the Mayor on all appointments to boards or commissions, including the retirement board. Ms. Bonavolant recalled that in the first few months of the Mayor's administration, there would be weekly Friday meetings to discuss items on the docket. When a Friday got too busy, preparation took place over the weekend, either by phone or at the Mayor's house. Regarding Council meetings, Ms. Bonavolant stated that staff were never told about meetings held in closed session.

Mr. Turetsky next asked about the Mayor's interaction with the SDCERS Board, and Ms. Bonavolant recalled that the Mayor went to a luncheon to present a certificate of appreciation around the time the composition of the Board was modified in early 2005. She did not recall any Board members coming to meet with the Mayor, though she did note that the Mayor met with Larry Grissom (SDCERS Administrator) to discuss his own retirement benefits. Ms. Bonavolant believed that the Mayor met with Mr. Grissom two or three times during his term and met with Paul Barnett once or twice as well. The Mayor's staff would arrange these meetings, and the schedule entries might have read "personal." Ms. Bonavolant assumed the meetings were personal if no staff were involved in the meeting. The Mayor never mentioned the substance of these meetings to Ms. Bonavolant.

Ms. Bonavolant stated that the Mayor had an "amicable" relationship with Casey Gwinn and Les Girard of the City Attorney's Office. Mr. Gwinn or Mr. Girard occasionally stopped by the Mayor's office if they needed his input to file a response to litigation initiated against the City. Ms. Bonavolant did not know the substance of these conversations.

Regarding lobbying activities, Ms. Bonavolant stated that the Mayor installed officers on the Chamber of Commerce and attended swearing-in functions. Ms. Bonavolant does not know whether business groups would meet with the Mayor only during scheduled meetings, and suggested that someone in Scheduling might have that information. She noted that there were many contacts between the Mayor and business groups over his five years in office.

Pension Issues

Ms. Bonavolant was shown an October 24, 2001 email from Assistant City Attorney Theresa McAteer to Bill Baber regarding the Mayor's pension benefits under the Legislative Officer's Retirement Program (Exhibit 1). Ms. Bonavolant stated that she had never heard of LORP and did not know that there was a separate retirement system for elected officers. She did not recall discussions related to this subject, and stated that she would not have been privy to such discussions between the Mayor and others.

Ms. Bonavolant was then shown a memo from Bill Baber to Theresa McAteer concerning the Mayor's retirement benefits (Exhibit 2). Ms. Bonavolant did not recall the Mayor meeting with Ms. McAteer. Mr. Turetsky asked her whether she knew which Mayoral staff member was assigned to retirement issues. Since Ms. Bonavolant did not recall any senior staff assigned to retirement issues, she believed that she would have given any retirement-related correspondence to John Kern.

Turning to the Blue Ribbon Committee (BRC), Ms. Bonavolant had heard of the name, but was not sure exactly what it was. She did not recall any specific meetings concerning the BRC, and noted that like the Airport and the Chargers, the BRC was an issue with which the Mayor began his term of office, but was only dealt with for a limited time. Ms. Bonavolant believed that Bill Baber was the staff member in charge of the BRC, although it might have been Daniel Gibson. She remembered Richard Vortmann's name, though not necessarily in connection with the BRC, since she believes that he was appointed to a commission later on in the Mayor's term. Ms. Bonavolant did not recall any phone calls to the Mayor from Mr. Vortmann, though she did recall some kind of communication he had with the Mayor. She believed this communication might have been personal in nature, and unrelated to City affairs.

Ms. Bonavolant was shown a March 4, 2002 letter on Nassco letterhead from Mr. Vortmann to the Mayor regarding the conclusions of the Blue Ribbon Committee (Exhibit 3). Ms. Bonavolant recalled a search for Nassco correspondence which was initiated by John Kern sometime in 2004. The initial search was for correspondence with "Vortmann," and was later expanded to include "Nassco." Ms. Bonavolant did not recall finding any responsive correspondence in her files. Regarding this letter, Ms. Bonavolant stated that she has no knowledge of any issues related to post-retirement health care funding.

Mr. Turetsky asked if she was familiar with an April 16, 2002 letter from Mr. Vortmann to the Mayor concerning the recommendations of the BRC (Exhibit 4). Ms. Bonavolant replied that she is not familiar with this document, and did not recall seeing this type of correspondence. She stated that the Mayor was probably involved in meetings regarding the BRC, but she was not sure because she was never present during the Mayor's meetings. Ms. Bonavolant did not recall when the BRC Report was issued.

Ms. Bonavolant recalled that the Mayor had many meetings during the time he was working on the budget, and believed that Ed Ryan (City Auditor) may have been involved in some of them, along with Terri Webster (Deputy City Auditor). Ms. Bonavolant did not know the subject of these meetings. She was familiar with the term "Meet & Confer," though she did not think this was "done in the Mayor's office," but was instead handled by the City Council. Ms. Bonavolant was unaware of the Mayor's role in the Meet & Confer process.

Ms. Bonavolant was shown a June 14, 2002 memo from Cathy Lexin (Director of Human Resources) to the Mayor regarding Meet & Confer (Exhibit 5), and a July 8, 2002 memo from Ms. Lexin to the Mayor regarding the City's proposal to SDCERS (Exhibit 6). Mr. Turetsky asked whether Ms. Bonavolant recalled the Mayor meeting with Labor representatives in 2002. She replied that she did not, though she noted that she would not know who the Labor representatives were, except for Ron Saathoff who has been in the newspapers. Mr. Turetsky mentioned Judie Italiano (MEA President), and Ms. Bonavolant recalled that she met with the Mayor. She does not recall Ms. Lexin, Ms. Italiano or Mr. Saathoff meeting privately with the Mayor; those meetings would have involved other people. Ms. Bonavolant suggested that Mr. Kern, Councilmembers, or someone from the City Attorney's Office may have attended these meetings. Ms. Bonavolant had never heard of presidential leave.

Ms. Bonavolant was not aware of MP2 at the time of the agreement, but learned of it afterwards from reading newspapers and searching for documents. She did not recall any interaction between the Mayor and the City Manager in 2002. Mr. Turetsky then asked about the Mayor's relationship with people in the City Manager's Office. Ms. Bonavolant replied that the Mayor had a "cordial" relationship with City Manager Michael Uberuaga, though that relationship was more formal than those between the Mayor and Casey Gwinn[1] or Lamont Ewell. She attributed the difference to Mr. Uberuaga's personality. The Mayor would interact with the City Manager during City Council meetings Mondays and Tuesdays, and sometimes they would have other meetings throughout the week. Mr. Turetsky asked whether she perceived an increase in communication between the Mayor and City Manager during Summer and Fall 2002. Ms. Bonavolant replied that it did not stand out in her memory that there was such an increase in their communication.

Disclosure

While she was fairly sure that the Mayor was involved in meetings concerning bond offerings, Ms. Bonavolant had no specific knowledge of those meetings because she was

[1] Ms. Bonavolant might have been under the mistaken impression that Mr. Gwinn was in the City Manager's Office.

never sure what was discussed in any particular meeting. The only way she would become aware of an upcoming bond offering was if it was in the newspaper, or she overheard others discussing the topic, but she does not remember any specific bond offerings. Ms. Bonavolant recalled that the earliest mentions of bond ratings were comments within the office, probably at the end of 2003 or 2004, though she "can't really remember when things started going downhill." She did not recall any meetings regarding ratings issues or voluntary disclosures.

Ms. Bonavolant did not recall any meetings that the Mayor held regarding Dianne Shipione. She thought that at one time, the Mayor and Pat Shea, Ms. Shipione's husband, were friends, but did not recall specific information about their relationship, except that they may have known each other through the legal community. Ms. Bonavolant did not remember when Ms. Shipione came forward with her allegations, having only heard of them after the fact.

Wastewater Issues

Prior to searching for documents relating to wastewater issues during the past year, Ms. Bonavolant was unaware of any wastewater-related issues. She did not recall any phone calls or letters from the State Water Resources Control Board or meetings concerning sewage rate compliance. Ms. Bonavolant had a vague recollection of Kelco, but was not sure why she had that recollection, even after Mr. Turetsky explained the nature of Kelco's interest in wastewater rates. She was not familiar with the names Ronald Blair, Doug Sain, or Sain Communications. She believed that the Mayor met with representatives from the restaurant industry once or twice.

Ms. Bonavolant was shown a series of emails in late May 2004 regarding meetings with the Mayor concerning the Cost of Service Study (Exhibit 7). Ms. Bonavolant had no recollection of any meeting regarding the COSS.

Other - Remediation

Mr. Turetsky asked Ms. Bonavolant if she knew of any other information that might be relevant to the issues discussed in the interview. Ms. Bonavolant reaffirmed that she was unaware of the substance of the Mayor's meetings. Ms. Evans asked whether Ms. Bonavolant had any personal knowledge of illegal acts regarding the issues discussed. She replied that she had no personal knowledge of any such illegal acts.

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EXHIBIT 1

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General Investigation Hot 02_27_06

Email message text
Object type: [GW.MESSAGE.MAIL]
Item Source: [Received]
Message ID: [3BD6A622.SD_CITY.SDMAYOR.100.1337838.1.2F8D.1]
From: [Theresa McAteer]
To: [;Bill Baber;BBaber.SDMAYOR.SD_CITY]
Subject: [LORP retro application - update]
Creation date: [10/24/2001 11:28:59 AM]
In Folder: [Rules]
Attachments: None
Message: [
Hi Bill:

I have been trying to confirm with Lori Chapin and Larry Grissom whether they (SDCERS) would consider the Mayor to be benefitted (or not) should the new LORP levels be extended on a retroactive basis to former councilmembers; she doesn't yet know (Larry has been out of town, and so was Lori for a time). She understands the need to know this soon, however; I didn't want you to think we'd let this slip through any cracks.

As for the language that would support a retroactive extension,the following may be useful to you or whoever prepares the memo for the 11/7 Rules Committee meeting:

"The Legislative Officers Retirement Program (now the Elected Officers Retirement Program) was enacted to allow elected officials, who - even after exemplary service - could not be assured of long-term employment with the City and the associated ability to participate in SDCERS, to still participate in SDCERS. Enacted in 1971, the program levels were never adjusted for inflation until the Council finally took action in late 2000. The age level for retirement was lowered from 60 to 55, and the percentage used in calculating benefits was simplified and improved reflect the same kind of increases in retirement benefits that had been extended to all other employees of the City over the years.

"Councilmembers who served in the 1970s and 1980s are not currently given the opportunity to take advantage of the updated retirement benefit levels, even though the low salaries paid to these councilmembers - combined with the old retirement benefit levels - make their retirement benefits from the City negligible. Many of these former Councilmembers served the City with distinction, yet cannot be adequately provided for in retirement because of the combination of low salary levels and outdated percentage calculations that would be used to compute their retirement benefits."

I trust you all can revise and add to this, to justify the increases. Cathy Lexin also has the computations of the increases that would result for each eligible former Councilmember; you may wish to wait for this information, however, and let Cathy make it a part of the report the Manager would be directed to return with . . .

I'll get back to you on the determination re: the Mayor as soon as I hear from Lori.

Theresa

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EXHIBIT 2

SD RET OFFICE

2001 NOV -9 AM 10: 38

Office of
The City Attorney
City of San Diego

MEMORANDUM

533-5800

DATE: November 6, 2001

TO: William Baber, Rules Committee Consultant
Office of the Mayor

FROM: Theresa C. McAteer, Deputy City Attorney

SUBJECT: Retroactive Application of Changes to the Elected Officers Retirement Program; Query re: Mayor's Retirement Benefits Status

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In September of 2000, the City Council amended the Legislative Officers' Retirement Program [the Program],[1] to lower the eligible retirement age and to change the percentage factor used to calculate a Program member's benefits. This was done to update the Program's benefits, since no such change had been made since the Program was adopted in 1971. Recently, the suggestion has been made to apply those update changes retroactively, to former council members who left the City before the changes were made. Before this suggestion is considered by the Council or any committee of the Council, you would like to confirm whether a retroactive application of these new criteria would change the benefit calculation applicable to the Mayor, given his prior City service as a council member. The Mayor would like to avoid any appearance of a conflict that might be suggested if a retroactive application would change the benefits he would be entitled to receive.

Based on the established manner in which retirement benefits are ascertained, and after consultation with the staff and general counsel to the San Diego City Employees' Retirement System [CERS], I have concluded the Mayor would not have a conflict in considering a proposal to retroactively apply the September, 2000 amendments, because the new criteria would already apply to the entirety of the Mayor's past and present service to the City.

According to CERS, when the Mayor left the City after serving as a council member, he did not "retire" or elect to exercise any other right with respect to the funds on deposit on his behalf. Rather, he simply left the funds in place. Accordingly, when he returned to City service as Mayor, he effectively picks up where he left off, continuing to accrue years of City service in

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[1]In 2001, the Council added the elected position of City Attorney to this Program and re-named it the Elected Officers Retirement Program. Those changes are not the subject of, nor are they relevant to, the issue addressed in this memorandum.

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the Program. When he retires, the age and calculation factors in effect when he leaves service will apply to all of his accrued City years. This means that the amendments enacted in September 2000 will apply to both the years he accrued while serving on the City Council, and the years he will accrue serving as Mayor. He accordingly would reap no additional benefit from making the September 2000 amendments apply to other former council members who -- unlike the Mayor -- have not re-joined the City and "reactivated" their participation in CERS under the new criteria.

I have conferred with CERS general counsel and she concurs in this opinion. Please feel free to contact me or my colleague in this Office, Mike Rivo, if you would like further attention to this matter.

Theresa A. McAteer

cc: Loraine Chapin, CERS General Counsel
Michael Rivo, Deputy City Attorney

DATE: November 20, 2001 REPORT NO. 01-258

ATTENTION: Rules, Finance and Intergovernmental Relations Committee
Agenda of November 21, 2001

SUBJECT: Modification of the Retirement Program for Former Elected Officers

DISCUSSION

The Legislative Officers Retirement Plan (LORP) was created by Ordinance in 1971 as a distinct plan administered by the San Diego City Employees Retirement System (SDCERS). The Plan was re-titled Elected Officers Retirement Plan (EORP) in October of 2001, when the elected City Attorney was added to the Plan. While the retirement benefits for general members and safety members of SDCERS have increased over time to stay competitive with other public agency jurisdictions, the formula for calculating retirement benefits for EORP members had not changed since inception in 1971 (nineteen years). In September of 2000, the City Council adopted modifications to the Elected Officers Retirement Plan (EORP) that (1) changed the formula for calculating benefits from "5% of the first $500/month compensation plus 3% of any additional monthly compensation" to "3.5% of total monthly compensation"; and (2) changed the age at which an elected member could draw retirement benefits from age 60 to age 55.

There are presently three categories of EORP Members:

1. *Active Members* are the current Mayor, Councilmembers and City Attorney.

2. *Deferred Members* are former Mayors and Councilmembers who have left contributions on deposit with SDCERS and will be eligible to receive benefits as soon as they reach the age requirements and are eligible for a benefit as specified in the Municipal Code.

3. *Retired Members* are former Mayors and Councilmembers who have met both service and age eligibility requirements and are actually receiving retirement benefits.

When benefit modifications were implemented on September 12, 2000, based on the current provisions of the Municipal Code, the new benefits only apply to EORP members who were in office on or after September 12, 2000.

Deferred Members

There are presently six (6) Deferred EORP Members who left office *before* the September 12, 2000 modifications were effected, and who will receive benefits under the old formula once they reach age eligibility, unless the Council amends the Municipal Code.

Retired Members

There are twelve (12) Retired EORP Members who are currently receiving benefits under the old formula. There are five (5) Retired Members who left office after September 12, 2001 and are receiving benefits under the new formula.

It is recommended that the City Council express its intent regarding application of the new benefit modifications to all EORP Members, including Deferred and Retired Members.

Attachment 1 is a Draft Ordinance which would make these benefit modifications applicable to Deferred and Retired Members should the Council so desire. The Draft Resolution also changes the reference to the name of the Plan from "LORP" to "EORP" where applicable. Given the small number of Deferred and Retired EORP Members under the old formula (Attachment 2), the cost associated with the change would be diminimus.

Respectfully submitted,

Cathy Lexin
Human Resources Director

Attachments: 1. Draft Resolution
2. Comparison of EORP Benefits for Retired and Deferred

Attachment 1

NEW LANGUAGE - REDLINED
OLD LANGUAGE - STRIKEOUT

(O-2002-62)

STRIKEOUT ORDINANCE NUMBER O-__________ (NEW SERIES)
ADOPTED ON ____________

AN ORDINANCE AMENDING CHAPTER 2, ARTICLE 4, DIVISION 1, BY AMENDING SECTION 24.0103; AND BY AMENDING CHAPTER 2, ARTICLE 4, DIVISION 12, BY AMENDING SECTION 24.1201; AND BY AMENDING CHARTER 2, ARTICLE 4, DIVISION 17, SECTION 24.1706, ALL RELATING TO ELECTED OFFICERS RETIREMENT PLAN

Amending Chapter 2, Article 4, Division 1, by amending section 24.0103, to read as follows:

§24.0103 Definitions

Unless otherwise stated, for purposes of this Article:

"Accumulated Additional Contributions" through "Elected Officers" - No changes made in definitions.

"Final Compensation" for General Members and ~~Legislative~~ Elected Officers means the Base Compensation based on the highest one year period during membership in the Retirement System for those Members and Officers who are on the active payroll of ~~T~~the City of San Diego on or after June 30, 1989, and who retire on or after July 1, 1989.

"Final Compensation" for Safety Members - No changes made in definition.

"General Member" is any Member not otherwise classified as a Safety Member of ~~Legislative~~ Elected Officer.

"Health Eligible Retire" means any retired General Member, Safety Member, or ~~Legislative~~ Elected Officer who: (1)was on the active payroll of ~~T~~the City of San Diego on or after October 5, 1980, and (2)retires on or after October 6, 1980, and (3)is eligible for and is receiving a retirement allowance from the Retirement System.

"Investment Earnings Received" - No changes made in definition.

~~"Legislative Officers" means the Mayor and/or members of the City Council.~~

"Members" means any person who actively participates in and contributes to the Retirement System, and who is thereafter entitled, when eligible, to receive benefits therefrom. There are four classes of Members: General, Safety, ~~Legislative~~ Elected Officer and Deferred.

"Normal Contributions" through "Unmodified Service Retirement Allowance" - No changes made in definitions.

By amending Chapter 2, Article 4, Division 12, by amending section 24.1201, to read as follows:

§24.1201 **Eligible Retirees**

(a) Effective August 1, 1997, two separate post retirement health benefits shall be offered, one to Health Retirees as set forth in this Division. A Health Eligible Retiree is any General Member, Safety Member or ~~Legislative~~ Elected Officer who: (1) was on the active payroll of ~~T~~the City of San Diego on or after October 5, 1980, and (2)retires on or after October 6, 1980, and (3) is eligible for and is receiving a retirement allowance from the Retirement System. A Non Health Eligible Retiree is any retiree who: (1) retired or terminated employment as a vested member from ~~T~~the City of San Diego prior to October 6, 1980; and (2) is eligible for and is receiving a retirement allowance from the Retirement System.

Subsections (b) through (c) - No changes made.

By amending Charter 2, Article 4, Division 17, section 24.1706, to read as follows:

§24.1706 Elected Officer Services Retirement - Computation of Benefits

The service retirement allowance payable to eligible Members shall be an amount sufficient, when added to the annuity that is derived from the accumulated normal contributions of the Member, to equal 3.5% of his or her final monthly compensation for each year of creditable service. **Notwithstanding Sections 24.0102 and 24.0103, all Elected Officers and former Elected Officers who are Members of the System shall receive the service retirement allowance provided for in this Section.**

ELH:smf
11/16/01
Or.Dept:Human Resources
O-2002-62

Attachment 2

Comparison of Old and New EORP Benefits for Retired and Deferred Members

Member	Pre-2000 Annual Benefit	Post-2000 Annual Benefit	Annual Difference
John T. Hartley	6,228.36	6,975.76	747.40
Lucy L. Killea	4,398.72	4,926.57	527.85
Robert T. Martinet	3,404.16	3,812.66	408.50
Gloria D. McColl	12,319.92	13,798.31	1,478.39
William J. Mitchell	5,365.20	6,009.02	643.82
Floyd L. Morrow	7,575.84	8,484.94	909.10
Maureen O'Connor	25,169.88	28,190.27	3,020.39
Michael J. Schaefer	1,554.12	1,740.61	186.49
Edward J. Struiksma	19,359.84	21,683.02	2,323.18
Leon L. Williams	15,201.84	17,026.06	1,824.22
Barbara G. Warden	15,673.56	17,554.39	1,880.83
Judith H. McCarty*	39,628.44	44,383.85	4,755.41
Bob Filner	6,408.84	7,600.68	1,191.84
Mike Gotch	9,982.20	14,829.24	4,847.04
Bruce Henderson	6,247.80	7,401.96	1,154.16
William Jones	5,776.08	6,684.12	908.04
Wes Pratt	6,247.80	7,401.96	1,154.16
Ron Roberts	11,247.60	13,345.20	2,097.60
			30,058.42

* Although Councilmember McCarty was still in office on September 12, 2000, she exercised the Deferred Retirement Option Plan (DROP) feature of SDCERS prior to September 12, 2000 under the old formula and consequently is receiving benefits under the old formula.

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Item 515
1/8/02

THE CITY OF SAN DIEGO

MANAGER'S REPORT

DATE: November 20, 2001 REPORT NO. 01-258

ATTENTION: Rules, Finance and Intergovernmental Relations Committee
Agenda of November 21, 2001

SUBJECT: Modification of the Retirement Program for Former Elected Officers

DISCUSSION

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2. *Deferred Members* are former Mayors and Councilmembers who have left contributions on deposit with SDCERS and will be eligible to receive benefits as soon as they reach the age requirements and are eligible for a benefit as specified in the Municipal Code.

3. *Retired Members* are former Mayors and Councilmembers who have met both service and age eligibility requirements and are actually receiving retirement benefits.

When benefit modifications were implemented on September 12, 2000, based on the current provisions of the Municipal Code, the new benefits only apply to EORP members who were in office on or after September 12, 2000.

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PENSION_M0000024

Deferred Members

There are presently six (6) Deferred EORP Members who left office *before* the September 12, 2000 modifications were effected, and who will receive benefits under the old formula once they reach age eligibility, unless the Council amends the Municipal Code.

Retired Members

There are twelve (12) Retired EORP Members who are currently receiving benefits under the old formula. There are five (5) Retired Members who left office after September 12, 2001 and are receiving benefits under the new formula.

It is recommended that the City Council express its intent regarding application of the new benefit modifications to all EORP Members, including Deferred and Retired Members.

Attachment 1 is a Draft Ordinance which would make these benefit modifications applicable to Deferred and Retired Members should the Council so desire. The Draft Resolution also changes the reference to the name of the Plan from "LORP" to "EORP" where applicable. Given the small number of Deferred and Retired EORP Members under the old formula (Attachment 2), the cost associated with the change would be diminimus.

Respectfully submitted,

Cathy Lexin

Cathy Lexin
Human Resources Director

Attachments: 1. Draft Resolution
2. Comparison of EORP Benefits for Retired and Deferred

Attachment 1

NEW LANGUAGE - REDLINED
OLD LANGUAGE - STRIKEOUT

(O-2002-62)

STRIKEOUT ORDINANCE NUMBER O-__________ (NEW SERIES)
ADOPTED ON ____________

AN ORDINANCE AMENDING CHAPTER 2, ARTICLE 4, DIVISION 1, BY AMENDING SECTION 24.0103; AND BY AMENDING CHAPTER 2, ARTICLE 4, DIVISION 12, BY AMENDING SECTION 24.1201; AND BY AMENDING CHARTER 2, ARTICLE 4, DIVISION 17, SECTION 24.1706, ALL RELATING TO ELECTED OFFICERS RETIREMENT PLAN

Amending Chapter 2, Article 4, Division 1, by amending section 24.0103, to read as follows:

§24.0103 Definitions

Unless otherwise stated, for purposes of this Article:

"Accumulated Additional Contributions" through "Elected Officers" - No changes made in definitions.

"Final Compensation" for General Members and ~~Legislative~~ Elected Officers means the Base Compensation based on the highest one year period during membership in the Retirement System for those Members and Officers who are on the active payroll of ~~T~~the City of San Diego on or after June 30, 1989, and who retire on or after July 1, 1989.

"Final Compensation" for Safety Members - No changes made in definition.

"General Member" is any Member not otherwise classified as a Safety Member of ~~Legislative~~ Elected Officer.

"Health Eligible Retire" means any retired General Member, Safety Member, or ~~Legislative~~ Elected Officer who: (1)was on the active payroll of ~~T~~the City of San Diego on or after October 5, 1980, and (2)retires on or after October 6, 1980, and (3)is eligible for and is receiving a retirement allowance from the Retirement System.

"Investment Earnings Received" - No changes made in definition.

~~"Legislative Officers" means the Mayor and/or members of the City Council.~~

"Members" means any person who actively participates in and contributes to the Retirement System, and who is thereafter entitled, when eligible, to receive benefits therefrom. There are four classes of Members: General, Safety, ~~Legislative~~ Elected Officer and Deferred..

"Normal Contributions" through "Unmodified Service Retirement Allowance" - No changes made in definitions.

By amending Chapter 2, Article 4, Division 12, by amending section 24.1201, to read as follows:

§24.1201 Eligible Retirees

(a) Effective August 1, 1997, two separate post retirement health benefits shall be offered, one to Health Retirees as set forth in this Division. A Health Eligible Retiree is any General Member, Safety Member or ~~Legislative~~ Elected Officer who: (1) was on the active payroll of ~~T~~the City of San Diego on or after October 5, 1980, and (2)retires on or after October 6, 1980, and (3) is eligible for and is receiving a retirement allowance from the Retirement System. A Non Health Eligible Retiree is any retiree who: (1) retired or terminated employment as a vested member from ~~T~~the City of San Diego prior to October 6, 1980; and (2) is eligible for and is receiving a retirement allowance from the Retirement System.

Subsections (b) through (c) - No changes made.

By amending Charter 2, Article 4, Division 17, section 24.1706, to read as follows:

§24.1706 Elected Officer Services Retirement - Computation of Benefits

The service retirement allowance payable to eligible Members shall be an amount sufficient, when added to the annuity that is derived from the accumulated normal contributions of the Member, to equal 3.5% of his or her final monthly compensation for each year of creditable service. Notwithstanding Sections 24.0102 and 24.0103, all Elected Officers and former Elected Officers who are Members of the System shall receive the service retirement allowance provided for in this Section.

ELH:smf
11/16/01
Or.Dept:Human Resources
O-2002-62

10324

Attachment 2

Comparison of Old and New EORP Benefits for Retired and Deferred Members

Retired Member	Pre-2000 Annual Benefit	Post-2000 Annual Benefit	Annual Difference
John T. Hartley	6,228.36	6,975.76	747.40
Lucy L. Killea	4,398.72	4,926.57	527.85
Robert T. Martinet	3,404.16	3,812.66	408.50
Gloria D. McColl	12,319.92	13,798.31	1,478.39
William J. Mitchell	5,365.20	6,009.02	643.82
Floyd L. Morrow	7,575.84	8,484.94	909.10
Maureen O'Connor	25,169.88	28,190.27	3,020.39
Michael J. Schaefer	1,554.12	1,740.61	186.49
Edward J. Struiksma	19,359.84	21,683.02	2,323.18
Leon L. Williams	15,201.84	17,026.06	1,824.22
Barbara G. Warden	15,673.56	17,554.39	1,880.83
Judith H. McCarty*	39,628.44	44,383.85	4,755.41
Bob Filner	6,408.84	7,600.68	1,191.84
Mike Gotch	9,982.20	14,829.24	4,847.04
Bruce Henderson	6,247.80	7,401.96	1,154.16
William Jones	5,776.08	6,684.12	908.04
Wes Pratt	6,247.80	7,401.96	1,154.16
Ron Roberts	11,247.60	13,345.20	2,097.60
			30,058.42

* Although Councilmember McCarty was still in office on September 12, 2000, she exercised the Deferred Retirement Option Plan (DROP) feature of SDCERS prior to September 12, 2000 under the old formula and consequently is receiving benefits under the old formula.

EXHIBIT 3

NATIONAL STEEL AND SHIPBUILDING COMPANY
A GENERAL DYNAMICS COMPANY

RICHARD H. VORTMANN
PRESIDENT

OFFICE OF
MAYOR DICK MURPHY

MAR 05 2002

March 4, 2002

BRC
Minority
Unofficial Report

The Honorable Dick Murphy
Mayor, City of San Diego
202 C Street
San Diego, CA 92101

Dear Mayor Murphy:

At the risk of being presumptuous, I wanted to share with you in a non-public fashion my personal conclusions emanating from my work on your Blue Ribbon Finance Committee. A great deal of hard work was invested in the Committee's final report and I am in full agreement with all of it save for the "tone" of the conclusion. While all committee members (including me) ultimately aligned behind that conclusion, it was the work of the "compromise process" reflecting the many different views inherent in any committee and the desired "spin" to be put on the conclusion for public consumption.. I thought you might find some value in my personal "unofficial" draft conclusion which ultimately transformed itself to what you see in the official report. I still personally believe the draft is a more accurate "un-varnished" summary of the City situation despite the Committee's (with my consent) going with the final, published version in the report.

That "draft" conclusion is attached hereto.

I would like to emphasize one point. All the issues raised in the Committee report require significant City attention. However, one, the Pension and Retiree Health issue, requires immediate attention in that this issue most likely will arise in the soon to commence "Meet and Confer" process. Given that the County has just granted significant improvements in benefits – to levels greater than City employees currently receive – it is likely there will be negotiating pressure to match those improvements.

Whether such is appropriate or not is a City policy issue and was not the purview of the Blue Ribbon Committee. However, I believe before the City enters into any such discussion, it needs to fully understand its current Pension and Retiree Health situation. It is very complex and it is easy to get lost in the actuarial details and fail to grasp the big picture.

Further, it is all too easy under the pressure of negotiations, to grant increases in pension and retiree health and then, through clever manipulation of complex actuarial accounting and assumptions, defer the payment for those new costs out several years

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MDM_GJMP001756

MAYOR 000061
MAYOR001246

PENSION_E0000131

(past the incumbents' time in office) to become a burden to future years' taxpayers for costs actually incurred in the present years.

This problem already exists. Predecessor regimes apparently purposely made the decision to push costs out to future taxpayers. The current years' budgets i) are not paying the full cost of the pension currently being earned by the existing workforce in that current year, and ii) are not paying any of the cost of the retiree health benefits rights being earned by the existing workforce in the current year. Retiree Health benefits are only being paid – by the Retirement System – on a actual expense incurred basis for the existing retirees. There is no recognition in the current City annual budget for the sizeable future retiree health care liability they are creating today which will have to be paid out in future years. Further, I am convinced no one even knows how big this liability is and how fast it is growing. Businesses in the private sector had to address this problem a decade ago when an accounting rules change required significant disclosure. Government accounting rules have not yet made a similar disclosure requirement and therefore the problem remains "hidden.".

As the Blue Ribbon report indicates, even without addressing Retiree Health costs, just the Pension expense, a non-discretionary line item in the budget, will already have to increase from $68m in FY'01 to approximately $106m in FY'06.

The other Committee members are not aware I am sending this letter to you. By doing such, I am in no way attempting to denigrate the collective work of the Committee. Further, this is not intended as a formal, "minority dissenting opinion." Rather, I offer the letter only as additional, unofficial, food for thought.

If I can be of any further assistance to you on this matter, please do not hesitate to call.

Sincerely,

Richard H. Vortmann
President

RHV/lh

MDM_GJMP001757

MAYOR001247

PENSION_E0000132

EXHIBIT 4

NASSCO NATIONAL STEEL AND SHIPBUILDING COMPANY
A GENERAL DYNAMICS COMPANY

RICHARD H. VORTMANN
PRESIDENT

April 16, 2002

APR 1

Via Fax: 236-7228

Honorable Dick Murphy
Mayor
202 C Street
San Diego, CA 92101

Dear Mayor Murphy:

Thank you for your attention to our report presentation yesterday, and for your proclamations and expressions of appreciation for our efforts.

I would suggest the best way you could thank us is to aggressively tackle the very significant challenges inherent in our report. Clearly this Council did not create these problems, but you have now inherited them. I believe the best service you could provide your constituents would be to implement a comprehensive plan to solve these problems and therefore not push ever larger problems on to your successors, as your predecessors did to you.

The issues of i) pension and retiree health and ii) defined maintenance are clearly the most critical. The first is quite complex with its accounting and actuarial assumptions, but it is ultimately a non-discretionary expense that must be paid. It is simply an issue of what year's taxpayers pay for any given year's total employee cost. (As an example, I submit the City does not even know what the cost is, in today's dollars, for today's employees' ultimate retiree health benefits.) On the second point, deferred maintenance inherently has some latitude as to its actual need and timing – but there are limits and I think we have well exceeded them.

If this Council is unable to adequately solve these challenges, the next generation of taxpayers will clearly be paying a much higher price than are today's taxpayers.

I thank you for your attention to these difficult issues.

Sincerely,

Richard H. Vortmann
President

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RHV/lh

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EXHIBIT 5

ATTORNEY TO CLIENT CORRESPONDENCE

FOR CONFIDENTIAL USE ONLY

CITY OF SAN DIEGO
MEMORANDUM

DATE: June 14, 2002

TO: Honorable Mayor and City Council

FROM: Cathy Lexin, Human Resources Director
Elmer Heap, Head Deputy City Attorney

SUBJECT: Meet and Confer:
Contingent Retirement Benefits – Modified Proposal to San Diego City Employees Retirement System Board of Administration

---

BACKGROUND

During the recently concluded meet and confer, the City Council approved a number of retirement benefit enhancements with a contingency feature. The contingency was tied to an affirmative vote by the San Diego City Employees Retirement System (SDCERS) Board oft Administration related to (1) committing $25 million from FY2000 SDCERS investment earnings to pay for retiree health insurance, (2) using an existing SDCERS reserve to pay for negotiated increases in the amount the City "picks up" of employee's retirement contributions, and (3) the City's contribution rates and funding status. We expect that the SDCERS Board will approve the first two items. The third item regarding the City's contribution rates and funding status of the system is the most complex of the issues and is currently under critical review by the SDCERS Board's outside fiduciary counsel and outside actuary.

DISCUSSION

The City Manager made a conceptual presentation before the SDCERS Board at a special meeting held on May 29, 2002. This was the first meeting of the Board after the close of meet and confer. (SDCERS meets regularly once a month on the 3rd Friday.) The Manager indicated that a detailed written proposal would be presented at the next regular meeting of the Board on June 21, 2002 (see attached). The Board's outside fiduciary counsel and actuary were at the May 29, 2002 meeting and have been requested by the Board's Administrator to prepare written opinions from their respective areas of responsibility prior to the June 21, 2002 meeting.

EXHIBIT #2
NAV 00817
CA00030
VE SUM 07377-07386
CS00005

Based upon conversations with the Retirement Administrator this week, it appears that the Board's outside fiduciary counsel is "uncomfortable" expressing an opinion that approval of this proposal is within the Board's reasonable discretion as fiduciaries of the system. The current "rate stabilization plan" stipulates that the City's contribution rates, beginning FY97 would increase a fixed 0.50% per year, which is less than the actuarially determined rate necessary to ensure stable funding of the system. The basis for prior fiduciary counsel condoning the original agreement to accept less than full actuarial contributions from the City, was the establishment of a reasonable funding ratio floor (82.3%), and the expectation of progress toward full funding pursuant to this plan. Currently fiduciary counsel is concerned that the City is requesting a further reduction to the funding ratio floor (from 82.3% to 75%) with no balancing aspect to the proposal, no quid pro quo.

RECOMMENDATION

As we discussed in closed session earlier, implementation of the "rate stabilization plan" in the 1997 Manager's Proposal did not have any significant impact on the funding of the retirement system prior to FY01's actuarial valuation wherein the funding ratio dropped from 97.7% to 89.9%. In the past two years, several significant and unpredictable events impacted the funding status of the system. The settlement of the Corbett litigation resulted in approximately $150 million in additional unfunded liability, and the drastic decline in investment earnings to the system (from $415.9 million in FY00 to less than $50 million estimated by year end FY02).

As you know, the Mayor's Blue Ribbon Committee on City Finances also made findings and recommendations regarding the retirement system liabilities and funding status. It is clear that the current arrangement whereby the City's contribution rate increases by a fixed 0.50% per year will not accomplish full funding as contemplated in the plan. A thorough analysis needs to occur and a funding policy developed that is acceptable to the SDCERS Board as Trustees and the City as Plan Sponsor. We had hoped the SDCERS Board would accept our proposal to lower the funding ratio floor to 75% with a commitment from the City to bring forward a long term solution within the next year. It does not appear that the fiduciary counsel will support this request.

Therefore, it is recommended that the City Council authorize the City manager to amend the proposal to be presented on June 21, 2002, by increasing the annual increase in City contribution from 0.50% per year to 1.00% per year beginning in FY05 (an approximate $2.5 million increase). The City Auditor concurs with this recommendation as a necessary step toward the long term solution, and is a means to avoid the potential triggering of the fully actuarial rate in FY04 (a $25 impact).

ALTERNATIVE

If we do not make this offer, it is likely that the SDCERS Board will not approve the proposal based upon a negative report from their fiduciary counsel. It is also a possibility that the funding ratio calculated for year ending FY02 will fall below 82.3% and trigger the full actuarial rate in FY04.

If either the original or this proposal fails, the retirement benefit improvements in the labor agreements with MEA, Local 127 and Local 145 will not occur. MEA has indicated that they will not schedule their ratification vote until this matter is heard by the SDCERS Board, and they anticipate that without the 2.5% at age 55 formula improvement in FY03, the 3-year MOU may fail a ratification vote, in which case we would be bargaining again with MEA next spring.

Attachment: Proposal, dated June 10, 2002, to San Diego City Employees' Retirement System (SDCERS) Board of Administration

A	B	C	D	E	F	G	H
Fiscal Year	Agreed to City Rate	Projected Actuarial City Rate	Actual Actuarial City Rates	Proposed New City Rates	Amended New City Rates	City Rates If 75% Ratio is triggered	Actual Funding Ratio
FY96	9.08%	8.60%	8.60%				91.4%*
FY97	7.93%	10.87%	9.55%				93.3%
FY98	7.83%	12.18%	10.87%				93.6%
FY99	8.33%	12.18%	10.86%				93.2%
FY00	8.83%	12.18%	11.48%				97.3%
FY01	9.33%	12.18%	11.96%				89.9%**
FY02	9.83%	12.18%	12.58%				
FY03	*10.33%*	*12.18%*	*15.59%*				
FY04	10.83%	12.18%	16.65%	11.89%	11.89%	12.84%	
FY05	11.33%	12.18%	16.65%	12.39%	12.89%	13.79%	
FY06	11.83%	12.18%	16.65%	12.89%	13.89%	14.74%	
FY07	12.18%	12.18%	16.65%	13.39%	14.89%	15.69%	
FY08	13.00%	13.00%	16.65%	13.89%	15.89%	16.64%	
FY09					16.65%		

Column A: Fiscal Year
Column B: City's "Agreed-To" Contribution Rate Based on 1996/97 Manager's Proposal
Column C: Actuarial Rate Projections from FY1996/97 Manager's Proposal
Column D: City Rates based on actuarial valuations for respective fiscal years through FY03 and projected actuarial rates through FY08
Column E: Adding 1.52% to General Member rates (resulting in a blended rate increase of 1.06%) beginning in FY04 to pay the cost of the 2.50% at age 55 formula improvement
Column F: Increasing the +0.50% per year "agreed-to" rate in1996/97 Manager's Proposal to +1.00% per year beginning in FY05
Column G: Increases the City contribution to full actuarial rate over five (5) years if the proposed 75% funding ratio is triggered in FY04
Column H: Funding Ratio of the Retirement Systems (projected assets compared to liabilities) effective fiscal year end (e.g. 89.9% as of 6/30/01)

* The actuary report for 6/30/96 reflected a funding ratio of 92.3% for combined City and Port assets. The 92.3% is the ratio used in the 1996/97 Manager's Proposal. That funding ratio 6/30/96 for only the City's portion of the system assets was 91.4%. A more accurate floor which would trigger the full actuarial rate under the 1996/97 Manager's Proposal would is 81.4 %. Beginning with the 6/30/99 actuarial valuation, the actuary identified separate City and Port funding ratios, and the ratios in Column H above reflects the City-only funding ratio beginning with the FY00 ratio.

** FY01 *Draft* Actuarial Valuation is docketed for adoption by SDCERS on June 21, 2002

EXHIBIT 6

ATTORNEY TO CLIENT
CORRESPONDENCE

FOR CONFIDENTIAL USE ONLY

CITY OF SAN DIEGO
MEMORANDUM

7/09/02
ITEM #4

DATE: July 8, 2002

TO: Honorable Mayor and City Council

FROM: Cathy Lexin, Human Resources Director
Elmer Heap, Head Deputy City Attorney

SUBJECT: Meet and Confer:
Contingent Retirement Benefits and Proposal to SDCERS

BACKGROUND

Attached is the modified proposal to SDCERS approved in closed session on June 14, 2002 and presented to the SDCERS Board at their meeting of Friday, June 21, 2002.

DISCUSSION

On Friday, June 21, the SDCERS Board considered the City's modified proposal regarding City contribution rates and the 75% funded ratio "trigger." The Board spent three hours discussing this proposal, and eventually trailed the matter to a special meeting to be scheduled for mid July. A meeting is scheduled exclusively for this matter on Thursday, July 11, 2002.

Of major concern to the SDCERS Board contributing to the continuance of this matter was the lack of a final written report from their outside fiduciary counsel. The "draft" report from fiduciary counsel published for the June 21, 2002 meeting was quite negative, clearly erring on the side of caution due to the fact that counsel, from his perspective, did not have time to evaluate the proposal sufficiently to render final advice. This was exacerbated by the delivery of a letter from Michael Aguirre threatening to litigate if the Board approved the proposal.

The Manager's Office has been in ongoing discussions with the Retirement Administrator attempting to provide answers and clarification to questions from SDCERS Board Members, the fiduciary counsel and actuary.

VE Rep 03297
VE 03978
Mayor 001101
VE SUM 01341
Mayor002646
VE Sum 07718

PENSION_E0000812

A final written report from fiduciary counsel was anticipated last Wednesday, then Friday, then Monday. It was our intent to brief you today on the contents of fiduciary counsel report, and if necessary seek any further modification necessary to achieve approval from SDCERS regarding the City's retirement contribution rates.

RECOMMENDATION

While we still have not seen the fiduciary counsel's final report , conversations with the Retirement Administrator lead us to be optimistic about a favorable report. The Manager's Office intends to present the modified proposal at the SDCERS meeting of July 11, and respond to any additional questions which may arise.

Based on our conversations with the Retirement Administrator, we anticipate a motion from a Board member which would further modify the proposal before the Board, by eliminating the request to lower the funded ratio floor, and including the five year phase-in if the trigger (82.3% funded ratio) is effectuated.

Given the importance of avoiding a immediate full rate implementation (versus five year phase in), it is recommended that the Council authorize staff to agree to this modification should the proposal currently before SDCERS not prevail. If this additional modification is necessary, staff would ask that if the funded ratio trigger occurs in the upcoming June 30, 2002 valuation, that the phase in of full actuarial rates not begin until FY05.

If this modification is acceptable to the Board and Fiduciary Counsel, the practical impact on the City would be no different than the previously authorized City position. Under either scenario, there would not be any increase to the City contribution rate until FY05.

Attachment

ATTORNEY TO CLIENT
CORRESPONDENCE

FOR CONFIDENTIAL USE ONLY

CITY OF SAN DIEGO
MEMORANDUM

DATE: June 14, 2002

TO: Honorable Mayor and City Council

FROM: Cathy Lexin, Human Resources Director
Elmer Heap, Head Deputy City Attorney

SUBJECT: Meet and Confer:
Contingent Retirement Benefits – Modified Proposal to San Diego City Employees Retirement System Board of Administration

---

BACKGROUND

During the recently concluded meet and confer, the City Council approved a number of retirement benefit enhancements with a contingency feature. The contingency was tied to an affirmative vote by the San Diego City Employees Retirement System (SDCERS) Board oft Administration related to (1) committing $25 million from FY2000 SDCERS investment earnings to pay for retiree health insurance, (2) using an existing SDCERS reserve to pay for negotiated increases in the amount the City "picks up" of employee's retirement contributions, and (3) the City's contribution rates and funding status. We expect that the SDCERS Board will approve the first two items. The third item regarding the City's contribution rates and funding status of the system is the most complex of the issues and is currently under critical review by the SDCERS Board's outside fiduciary counsel and outside actuary.

DISCUSSION

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VE SUM 01343

PENSION_E0000814

Based upon conversations with the Retirement Administrator this week, it appears that the Board's outside fiduciary counsel is "uncomfortable" expressing an opinion that approval of this proposal is within the Board's reasonable discretion as fiduciaries of the system. The current "rate stabilization plan" stipulates that the City's contribution rates, beginning FY97 would increase a fixed 0.50% per year, which is less than the actuarially determined rate necessary to ensure stable funding of the system. The basis for prior fiduciary counsel condoning the original agreement to accept less than full actuarial contributions from the City, was the establishment of a reasonable funding ratio floor (82.3%), and the expectation of progress toward full funding pursuant to this plan. Currently fiduciary counsel is concerned that the City is requesting a further reduction to the funding ratio floor (from 82.3% to 75%) with no balancing aspect to the proposal, no quid pro quo.

RECOMMENDATION

As we discussed in closed session earlier, implementation of the "rate stabilization plan" in the 1997 Manager's Proposal did not have any significant impact on the funding of the retirement system prior to FY01's actuarial valuation wherein the funding ratio dropped from 97.7% to 89.9%. In the past two years, several significant and unpredictable events impacted the funding status of the system. The settlement of the Corbett litigation resulted in approximately $150 million in additional unfunded liability, and the drastic decline in investment earnings to the system (from $415.9 million in FY00 to less than $50 million estimated by year end FY02).

As you know, the Mayor's Blue Ribbon Committee on City Finances also made findings and recommendations regarding the retirement system liabilities and funding status. It is clear that the current arrangement whereby the City's contribution rate increases by a fixed 0.50% per year will not accomplish full funding as contemplated in the plan. A thorough analysis needs to occur and a funding policy developed that is acceptable to the SDCERS Board as Trustees and the City as Plan Sponsor. We had hoped the SDCERS Board would accept our proposal to lower the funding ratio floor to 75% with a commitment from the City to bring forward a long term solution within the next year. It does not appear that the fiduciary counsel will support this request.

Therefore, it is recommended that the City Council authorize the City manager to amend the proposal to be presented on June 21, 2002, by increasing the annual increase in City contribution from 0.50% per year to 1.00% per year beginning in FY05 (an approximate $2.5 million increase). The City Auditor concurs with this recommendation as a necessary step toward the long term solution, and is a means to avoid the potential triggering of the fully actuarial rate in FY04 (a $25 impact).

ALTERNATIVE

If we do not make this offer, it is likely that the SDCERS Board will not approve the proposal based upon a negative report from their fiduciary counsel. It is also a possibility that the funding ratio calculated for year ending FY02 will fall below 82.3% and trigger the full actuarial rate in FY04.

If either the original or this proposal fails, the retirement benefit improvements in the labor agreements with MEA, Local 127 and Local 145 will not occur. MEA has indicated that they will not schedule their ratification vote until this matter is heard by the SDCERS Board, and they anticipate that without the 2.5% at age 55 formula improvement in FY03, the 3-year MOU may fail a ratification vote, in which case we would be bargaining again with MEA next spring.

Attachment: Proposal, dated June 10, 2002, to San Diego City Employees' Retirement System (SDCERS) Board of Administration

A	B	C	D	E	F	G	H
Fiscal Year	Agreed-to City Rate	Projected Actuarial City Rate	Actual Actuarial City Rates	Proposed New City Rates	Amended New City Rates	City Rates If 75% Ratio is triggered	Actual Funding Ratio
FY96	7.08%	8.60%	8.60%				91.4%*
FY97	7.33%	10.87%	9.55%				93.3%
FY98	7.83%	12.18%	10.87%				93.6%
FY99	8.33%	12.18%	10.86%				93.2%
FY00	8.83%	12.18%	11.48%				97.3%
FY01	9.33%	12.18%	11.96%				89.9%**
FY02	9.83%	12.18%	12.58%				
FY03	*10.33%*	***12.18%***	***15.59%***				
FY04	10.83%	12.18%	16.65%	11.89%	11.89%	12.84%	
FY05	11.33%	12.18%	16.65%	12.39%	12.89%	13.79%	
FY06	11.83%	12.18%	16.65%	12.89%	13.89%	14.74%	
FY07	12.18%	12.18%	16.65%	13.39%	14.89%	15.69%	
FY08	13.00%	13.00%	16.65%	13.89%	15.89%	16.64%	
FY09					16.65%		

Column A: Fiscal Year
Column B: City's "Agreed-To" Contribution Rate Based on 1996/97 Manager's Proposal
Column C: Actuarial Rate Projections from FY1996/97 Manager's Proposal
Column D: City Rates based on actuarial valuations for respective fiscal years through FY03 and projected actuarial rates through FY08
Column E: Adding 1.52% to General Member rates (resulting in a blended rate increase of 1.06%) beginning in FY04 to pay the cost of the 2.50% at age 55 formula improvement
Column F: Increasing the +0.50% per year "agreed-to" rate in1996/97 Manager's Proposal to +1.00% per year beginning in FY05
Column G: Increases the City contribution to full actuarial rate over five (5) years if the proposed 75% funding ratio is triggered in FY04
Column H: Funding Ratio of the Retirement Systems (projected assets compared to liabilities) effective fiscal year end (e.g. 89.9% as of 6/30/01)

* The actuary report for 6/30/96 reflected a funding ratio of 92.3% for combined City and Port assets. The 92.3% is the ratio used in the 1996/97 Manager's Proposal. That funding ratio 6/30/96 for only the City's portion of the system assets was 91.4%. A more accurate floor which would trigger the full actuarial rate under the 1996/97 Manager's Proposal.would is 81.4 %. Beginning with the 6/30/99 actuarial valuation, the actuary identified separate City and Port funding ratios, and the ratios in Column H above reflects the City-only funding ratio beginning with the FY00 ratio.

** FY01 *Draft* Actuarial Valuation is docketed for adoption by SDCERS on June 21, 2002

CITY OF SAN DIEGO
MEMORANDUM

DATE: June 18, 2002

TO: San Diego City Employees' Retirement System (SDCERS)
Board of Administration via Lawrence B. Grissom, Retirement Administrator

FROM: Michael T. Uberuaga, City Manager

SUBJECT: ***June 18, 2002 Modification to the*** Proposal from the City of San Diego Regarding Employer Contribution Rates, Health Insurance, and Reserves

On June 10, 2002, the City Manager issued a report to the SDCERS Board of Administration requesting approval of an amendment to the 1997 Manager's Proposal, Issue #3, Paragraph B, to read as follows:

B. "The floor for the actuarial funded ratio of SDCERS will be established at 75%.

The City will pay contributions at the "agreed to" rates for FY96 through FY07 as contained in the Manager's Proposal. If the actuarial funded ratio falls below the floor in any year, the City will increase its contribution rate on July 1 of the following year by an amount equal to one-fifth of the amount necessary to reach the full actuarial rate. The City will pay this increased amount for each of the subsequent four years in order to achieve the full actuarial rate over a five year period."

That June 10, 2002 report also confirmed the City's intent to pay, over and above the agreed to rate, the cost associated with the 2.50% at 55 formula enhancement for General Members.

Subsequent to the Manager's issuance of the June 10, 2002 report, Retirement Administrator Larry Grissom transmitted a "draft" review and evaluation from Robert Blum of Hanson, Bridgett, the System's fiduciary counsel, as well as information prepared by Gabriel, Roeder, Smith, the System's actuary.

DISCUSSION

Mr. Blum indicates in his draft review that if the Board adopted the Manager's proposed amendment of June 10, it may create a material risk that a court may consider such an approval not a prudent exercise of the Board's fiduciary responsibilities. Mr. Blum goes on to imply that his opinion could be different if the Board were to take mitigating actions, or if the facts he describes in his report were different. In response to concerns raised by Mr. Blum's draft review, this supplemental report offers a modification to the June 10 proposal for the Board's consideration.

We believe this modification also address issues identified by Mr. Roeder, in that it substantially increases that pace at which contribution increases occur and that the full actuarial rate will be achieved by an identified date, July 1, 2008.

MODIFIED RECOMMENDATION NO. 1

First, the City hereby offers to double the incremental increases in the agreed to City contribution rates beginning on July 1, 2004, In other words, the City's contribution rate would increase by 1.00% rather the 0.50% on July 1, 2004, regardless of funding ratio at that time, and for the next four years or so until the agreed to rate matches the actuarial rate, estimated to be July 1, 2008. The attached in "Column F" reflects these new agreed to rates, plus the additional payment of 1.06% (blended rate) beginning July 1, 2003 to pay the actuary's estimated cost of the 2.50% at age 55 benefit for General Members.

As indicated in the June 10 report, at such time as the actuary's valuation results in a 75% funding ratio, the City's contribution rate would increase on July 1 of the following year by an amount equal to one-fifth of the amount necessary to reach the full actuarial rate. The City will pay this increased amount for each of the subsequent four years in order to achieve the full actuarial rate over a five year period.

Further, to address concern about a protracted period of gap between the City's paid rate and the actuarial rate, it is recommended that this agreement sunset on June 30, 2009.

It is our intent to include the element of this proposal in Municipal Code upon approval by the SDCERS Board.

Mr. Blum's draft review also seeks clarification on a number of issues (3.c on page 5):

Question	Answer
• Is the "full actuarial rate" PUC or EAN?	It is PUC pursuant to the original proposal.
• If the full actuarial rate increase in later years, will the "difference" to which the 20% is applied also increase?	Yes
• If the full actuarial rate increases due to actuarial method or assumptions will the new rate be the rate including these changes?	This is the kind of question that should be address in the long range comprehensive funding policy

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- What happens if the funding ratio goes down again?

  The proposed amendment to +1% is not contingent upon the funding ratio, it will be paid regardless.

- When will the City's contribution bring funding ratio to 75% floor? 82.3% floor?

  This amendment brings the City contribution to the full actuarial rate within 5 to 6 years, dependent upon, earning, demographics, etc.

- What is the course of events over the next e.g. five years, given funding status and anticipated earnings?

  This is a very broad question which includes the work initiated by the Mayor's Blue Ribbon Committee on City Finances, the SDCERS subcommittee on surplus earnings and contingent benefits, and the need to develop a long term funding policy. It is recommended that a plan and schedule be developed to complete this policy work.

Finally, it is still our intent and strong recommendation that the City and SDCERS Administrator and actuary continue discussions over the next six months to develop a long term, comprehensive funding policy. It is the City Manager's intent to include a commitment to pay for any benefit increases over and above the rates agreed to in this proposal. Such a policy should also include how the Board will address short term emergency financial situations, how the Board will address changes in actuarial assumptions which may be recommended by the system's actuary, events such as the Corbett litigation which created significant unpredictable unfunded liability, and other issues deemed appropriate for such a policy.

Respectfully submitted,

Bruce Herring

Bruce Herring, Deputy City Manager

Attachment

VE SUM 01349

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A	B	C	D	E	F	G	H
Fiscal Year	Agreed to City Rate	Projected Actuarial City Rate	Actual Actuarial City Rates	Proposed New City Rates	Amended New City Rates	City Rates If 75% Ratio is triggered	Actual Funding Ratio
FY96	7.08%	8.60%	8.60%				91.4%*
FY97	7.33%	10.87%	9.55%				93.3%
FY98	7.83%	12.18%	10.87%				93.6%
FY99	8.33%	12.18%	10.86%				93.2%
FY00	8.83%	12.18%	11.48%				97.3%
FY01	9.33%	12.18%	11.96%				89.9%**
FY02	9.83%	12.18%	12.58%				
FY03	*10.33%*	*12.18%*	*15.59%*				
FY04	10.83%	12.18%	16.65%	11.89%	11.89%	12.84%	
FY05	11.33%	12.18%	16.65%	12.39%	12.89%	13.79%	
FY06	11.83%	12.18%	16.65%	12.89%	13.89%	14.74%	
FY07	12.18%	12.18%	16.65%	13.39%	14.89%	15.69%	
FY08	13.00%	13.00%	16.65%	13.89%	15.89%	16.64%	
FY09					16.65%		

Column A: Fiscal Year
Column B: City's "Agreed-To" Contribution Rate Based on 1996/97 Manager's Proposal
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Column G: Increases the City contribution to full actuarial rate over five (5) years if the proposed 75% funding ratio is triggered in FY04
Column H: Funding Ratio of the Retirement Systems (projected assets compared to liabilities) effective fiscal year end (e.g. 89.9% as of 6/30/01)

* The actuary report for 6/30/96 reflected a funding ratio of 92.3% for combined City and Port asset The 92.3% is the ratio used in the 1996/97 Manager's Proposal. That funding ratio 6/30/96 for onl the City's portion of the system assets was 91.4%. A more accurate floor which would trigger the full actuarial rate under the 1996/97 Manager's Proposal.would is 81.4 %. Beginning with the 6/30/99 actuarial valuation, the actuary identified separate City and Port funding ratios, and the ratios in Column H above reflects the City-only funding ratio beginning with the FY00 ratio.

** FY01 *Draft* Actuarial Valuation is docketed for adoption by SDCERS on June 21, 2002

VE SUM 01350

PENSION_E0000821

ATTACHMENT.

CITY OF SAN DIEGO
MEMORANDUM

DATE: June 10, 2002

TO: San Diego City Employees' Retirement System (SDCERS)
Board of Administration via Lawrence B. Grissom, Retirement Administrator

FROM: Michael T. Uberuaga, City Manager

SUBJECT: Proposal from the City of San Diego Regarding
Employer Contribution Rates, Health Insurance, and Reserves

ISSUE NO. 1: EMPLOYER CONTRIBUTION RATES

RECOMMENDATION NO. 1

The City Manager, on behalf of the Mayor and City Council, is requesting that the SDCERS Board of Administration approve an amendment to the 1997 Manager's Proposal, Issue #3, Paragraph B, to read as follows:

B. "The floor for the actuarial funded ratio of SDCERS will be established at 75%.

The City will pay contributions at the "agreed to" rates for FY96 through FY07 as contained in the Manager's Proposal. If the actuarial funded ratio falls below the floor in any year, the City will increase its contribution rate on July 1 of the following year by an amount equal to one-fifth of the amount necessary to reach the full actuarial rate. The City will pay this increased amount for each of the subsequent four years in order to achieve the full actuarial rate over a five year period."

There has been some discussion about whether the City is also requesting that the cost associated with an improvement in the General Member formula to 2.50% at 55 be absorbed within the Manager's Proposal agreed to rates. The City is not requesting that this cost be absorbed within the agreed to rates. The City will pay over and above the agreed to rate, the cost associated with the 2.50% at 55. Should any future benefit enhancements be offered by the City, the City Manager will recommend that the City pay it's proportionate cost increase in employer rates over and above the agreed to rate in the Managers's Proposal.

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DISCUSSION

The City is requesting that the SDCERS Board of Administration approve this recommendation to allow a reasonable period of time for the City, as sponsor of this system, to develop a financial plan which will address the SDCERS Boards's need to have in place a stable funding policy, while avoiding a dramatic negative impact on the City's annual budget.

As Trustees, you have a responsibility to ensure that a prudent funding system is in place. The City, as sponsor of this plan shares in this responsibility and wants to ensure a prudent, stable funding policy. One evidence of this interest is the Mayor's creation of a citizens Blue Ribbon Committee on City Finances. That Committee's work included an evaluation of retirement financing and produced findings and recommendations. This is a complex issue. The recommendations of the Blue Ribbon Committee were discussed at a Council meeting in April 2002, and are being evaluated by the Manager's Office. The Mayor and Council requested a presentation from SDCERS in June on the matter of retirement funding, but given the complexity of this issue, your Board requested that this matter be deferred until September 30, 2002. The Blue Ribbon Committee recommendations and associated time line overlapped with labor contract negotiations, which by Charter had to be complete by May 14, 2002. A major issue in labor negotiations with two of the City's labor groups was a request to enhance the general member retirement formula. A major issue with all four labor groups as well as with retirees is the issue of retiree health insurance. In an endeavor to meet converging interests and time lines, the City agreed to benefit enhancements through labor negotiations which have impacts on retirement funding, and consequently these benefit enhancements were offered contingent upon successfully addressing the potential "trigger" in the 1997 Manager's Proposal.

As you all know, a number of unprecedented events in the past two years have created significant economic repercussions. These events include the tragedy of September 11, 2001, and ongoing national security issues, the collapse of the dot.com industry, the overall fall in the investment market, the specific loss of anticipated revenues in the San Diego economy, and the anticipated raid on local revenues by the State of California. In addition, the City settled the Corbett lawsuit which immediately implemented benefit improvements and associated costs valued at nearly $150 million.

Rise and fall in investment earnings merely due to market conditions is to be expected. However, we believe that the totality of circumstances described above are extraordinary. We ask consideration of this amendment to avoid a tumultuous effect on the City's immediate future ability to deliver services to its citizens. The City certainly understands and has every intent to keep its commitments to fund and pay for benefits for its present and future retirees.

The intent herein is that if the 75% trigger is effectuated, the City will pay the full actuarial rate within five (5) years. Under the rate stabilization terms already approved in the Manager's Proposal, the City's contribution rate was not expected to reach full actuarial EAN rate until FY08, five (5) years from now.

In evaluating this request, it is important to remember that the City of San Diego is a public agency, here into perpetuity. As a public agency, the City and SDCERS are regulated differently than a private company, which can be bought and sold or go out of business. The City's motive for making this request is to responsibly balance its obligation to fund retirement benefits with its obligation to provide services to its citizens.

We realize that more work needs to be done to perfect the funding policy beyond this request. Merely increasing 0.50% per year is not a viable solution absent improved experience in actuarial assumption categories (e.g. average age, turnover, investment returns, etc.) aiding with the level of unfunded liability. Analysis and development of a long term funding policy is currently underway. We are asking the SDCERS Board to approve this request now, and collaborate with the City in developing a long term, viable funding policy.

ISSUE NO. 2: RETIREE HEALTH INSURANCE AND USE OF RESERVES

RECOMMENDATION NO. 2

The City Manager on behalf of the Mayor and City Council is requesting that the SDCERS Board of Administration move forward with the creation of a IRS 115 Trust for retiree health insurance, and authorize the transfer of $25 million from the $100 million contingency reserve from FY2000 earnings to the 115 Trust as soon as practical. Authority for this request will follow in the form of Municipal Code changes being prepared for formal adoption by the City Council.

ISSUE NO. 3: USE OF EMPLOYEE CONTRIBUTION RESERVE

As a result of recently completed negotiations with the City's four labor organizations, the City has agreed to increase the amount of employee contributions that the City will pickup with the understanding that these additional pickups would come from the existing SDCERS reserve for employee contributions. This existing reserve is already outside system assets for actuarial purposes, and as such this action will have no impact on the funding ratio of the system. It is our understanding that no action is required by the Board to implement this action. Authority for this request will also be included in Municipal Code changes to be presented for adoption by the City Council.

Respectfully submitted,

Michael T. Uberuaga

Michael T. Uberuaga, City Manager

Attachments:
1. 1997 Manager's Proposal
2. Schedule for Distribution of Earnings, Fiscal Year Ended 6-30-00
3. Memo from Frederick W. Pierce to Michael T. Uberuaga dated May 13, 2002
4. Excerpt from Recommendations of the Blue Ribbon Committee on City Finances

ATTACHMENT #1

City of San Diego
Labor Relations Office
MEMORANDUM

Date: July 23, 1996

To: Larry Grissom, Retirement Administrator

From: Cathy Lexin, Labor Relations Manager

Subject: *CITY MANAGER'S RETIREMENT PROPOSAL*

Per your request, attached hereto is a consolidation of the *final* Retirement Proposal as presented to the Retirement Board at its meeting of June 21, 1996. This Proposal was subsequently presented to and approved by the City Council at its meeting of July 2, 1996.

It is my understanding that the action taken by the Board was to defer any action required of them on **Issue No. 1 - Retiree Health Insurance** based on advice of Fiduciary Counsel Dwight Hamilton until such time as a specific health plan was presented for his review and advice and until a Charter amendment occurred enabling the Retirement Board to administer retiree health insurance.

Issue No. 2 - CERS Benefit Changes identified benefit improvements being recommended by the Manager to the City Council; no action was required of the Retirement Board.

It is further my understanding that the Retirement Board approved in concept the recommended actions contained under **Issue No. 3 - Employer Contribution Rates**, and **Issue No. 4 - Surplus Undistributed Earnings and Reserves**, including the set aside of approximately $135 million from excess undistributed earnings for the purpose of carrying out the proposal, contingent upon the retiree health insurance portion being successfully resolved by January 1, 1997.

RETIREMENT SYSTEM PROPOSAL

(Consolidated from Proposal Dated June 7, 1996 as modified by June 21, 1996 Proposal)

It is the City Manager's intent to recommend changes to the City Employees Retirement System related to: **(1) retiree health insurance, (2) retirement plan benefits, (3) employer contribution rates, and (4) retirement system reserves.** These proposed changes to plan benefits, retiree health insurance, employer rates and system reserves will require approval of the City Council, CERS Board of Administration as well as an affirmative vote of plan members. The City Manager's proposal is being reviewed by outside fiduciary counsel engaged through the City Attorney's Office and has been presented to the CERS Board's fiduciary counsel and actuary for review and advice to the Board. All proposed changes are conditioned upon and subject to final approval by fiduciary counsel, City Council approval, Retirement Board approval, vote of plan participants, and confirmation of cost estimates by the System's actuary.

The interrelationship of these various issues to each other necessitate that the entire proposal be considered and acted upon concurrently. Furthermore, the substantial financial implications to the City compel that certain actions occur in time for Fiscal Year 1997 budget decisions. Necessary ordinances can be prepared for formal amendments to the Municipal Code subsequent to actions by appropriate bodies (City Council, CERS Board, Plan Participants, Employee Unions). Following are the proposed changes.

Issue No. 1 - RETIREE HEALTH INSURANCE

A. It is proposed that the obligation for Retiree Health Insurance be moved to CERS effective July 1, 1997, contingent upon advice from its fiduciary counsel that the specific terms of this action are deemed legal and appropriate prior to January 1, 1997. It is the City's intent and expectation in this Proposal that the cost of providing retiree health insurance will not be amortized but rather will be paid on an annual basis from excess undistributed earnings.

B. Increase premium reimbursement for POA and Local 145 Retiree Health Plans from $4500/year to $4995 only for FY97.

C. Retiree Health Insurance for Pre-1980 Retirees will be provided by the City at the same rate as in FY96 for one additional year, FY97. Contingent upon the approval of item A above, Pre-1980 Retiree Health Insurance will become an ongoing benefit as described in the June 7, 1996 Proposal.

D. During FY97, a Task Force of City Manager, CERS Board and Labor Organizations working with actuaries, consultants and legal counsel can develop the necessary documentation to design a tax exempt health insurance benefit to be effective July 1, 1997. The Task Force will recommend benefit level subject to approval by CERS, City Council, and issue an RFP for selection of a common provider. POA and Local 145 will assume full responsibility for any incurred claims under existing health insurance policies.

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It is the intent that the Task Force described in the June 7 Proposal complete its work and present a recommendation by November 1, 1996. Final approval of the specific Retiree Health Benefit that will be transferred to CERS will be subject to approval of the City Council.

E. The existing City Health Insurance Trust (@ $12.5m) will be used to pay for FY97 Retiree Health Insurance.

F. CERS will establish a Health Insurance Reserve within CERS. Each year, the upcoming year's projected cost of retiree health insurance will be transferred from undistributed earnings and credited to the Health Insurance Reserve.

G. Actual premium costs and administrative charges will be charged to the Health Insurance Reserve on a pay-as-you-go basis and will not be actuarially funded.

Issue No. 2 - CERS BENEFIT CHANGES

The following benefit changes do not require any action by the CERS Board, but rather are presented as part of the overall proposal.

A. **Eliminate** the existing requirement to **offset Disability Income**.

B. **Purchase of Service Credit**: Continue the existing service credit provisions related to refunds, probationary periods, 1981 Plan waiting period and Military & Veteran Code; incorporate all others into a new general provision of a five (5) year purchase of service credit feature, which would also be available to ½ time and 3/4 time employees. Employees would pay into the retirement fund an amount, including interest, equivalent to the employee and employer full cost of such service.

C.. Increase the calculation of the **13th Check** for Pre-10/6/80 retirees from $30 per creditable year of service to $60 per creditable year of service, and to $75 per creditable year of service for Pre-12/31/71 retirees. It is also the Manager's intent to conduct a study during the first quarter of FY98 on COLA alternatives including but not limited to a 75% purchasing power formula.

D. Increase the benefit to **General Members** for **industrial disability** retirements from 33-1/3% to 50%; and increase the **General Member formula** as described below.

General Member Formula

Age	Present Factor	Proposed Factor
55	1.48%	2.00%
56	1.56%	2.00%
57	1.63%	2.00%
58	1.72%	2.00%
59	1.81%	2.08%
60	1.92%	2.16%
61	1.99%	2.24%
62	2.09%	2.31%
63	2.20%	2.39%
64	2.31%	2.47%
65+	2.43%	2.55%

Cost of General Member Improvements:

	Employer-Paid	Employee-Paid	Total Cost
Normal Cost	+1.13%	+1.13%	+2.26%
Past Liability	+1.43%		+1.43%
TOTAL COST	+2.54%	+1.13%	+3.69%

Past liability for these two benefit improvements will be paid for by the City through excess earnings. Normal cost (prospective costs) will be paid for equally by employee and employer. The employer's share will be added to the actuarial rate (PUC) calculations beginning mid-year FY97. The employee's share will be paid from excess earnings for FY97, and by increasing the employee's contribution in FY98 and FY99 as follows: +.56% on 12/27/97 and +.57% effective the earliest date in FY99 that General Employees receive a salary increase.

E. Improve **Lifeguard Safety Member Formula** as follows and establish a 90% cap. Any employees who are eligible for a percentage above 90% on 4/1/97, the effective date of implementation of the DROP will be frozen at their rate in effect on 4/1/97. Past liability for this benefit improvement will be paid for by the City through excess earnings. Normal cost (prospective costs) will be paid for equally by employee and employer. The employer's share will be added to the actuarial rate (PUC) calculations beginning mid-year FY97. The employee's share will be paid from excess earnings in FY97, and by increasing the employee's contribution in FY98 and FY99 as follows: +.25% on 12/27/97 and +.25% effective the earliest date in FY99 that Lifeguard employees receive a salary increase.

Age	Present Factor	Proposed Factor
50	2.00%	2.20%
51	2.10%	2.32%
52	2.22%	2.44%
53	2.34%	2.57%
54	2.47%	2.72%
55+	2.62%	2.77%

Cost of Lifeguard Safety Member Improvements:

	Employer-Paid	Employee-Paid	Total Cost
Normal Cost	+. 50%	+. 50%	+1.00%
Past Liability	+. 55		+. 55%
TOTAL COST	+1.05%	+. 50%	+1.55%

F. Improve **Police and Fire Safety Member Formula** as follows and establish a 90% cap. Any employees who are eligible for a percentage above 90% on the date the new formula becomes effective, will be allowed to remain under the current formula with no cap. Past liability for this benefit improvement will be paid for by the City through excess earnings. Normal cost (prospective costs) will be paid for equally by employee and employer. The employer's share will be added to the actuarial rate (PUC) calculations beginning mid-year FY97.

Age	Fire Factor	Police Factor	Proposed Factor for Fire & Police
50	2.20%	2.50%	2.50%
51	2.32%	2.54%	2.60%
52	2.44%	2.58%	2.70%
53	2.57%	2.62%	2.80%
54	2.72%	2.66%	2.90%
55+	2.77%	2.70%	2.9999%

Cost of Safety Member Improvements:

FIRE	Employer-Paid	Employee-Paid	Total Cost
Normal Cost	+ .75%	+. 75%	+1.50%
Past Liability	+ .95%	____	+ .95%
Total	+1.70%	+ .75%	+2.45%

Fire employees will pay one-half of the normal cost by an increase in the employee contribution of .75% effective 7/1/98.

POLICE	Employer-Paid	Employee-Paid	Total Cost
Normal Cost	+ .49%	+ .49%	+ .98%
Past Liability	+ .95%	____	+ .95%
Total	+1.44%	+ .49%	+1.93%

Police employees will pay one-half of the normal cost by an increase in the employee contribution of .49% effective 7/1/98.

G. The City agrees to implementation of a *Deferred Retirement Option Plan* (DROP) effective April 1, 1997, on the condition that such a plan is approved by the City Attorney's Office as legal under applicable Federal, State and Local laws and regulations, and that such a plan would not increase cost greater than the savings to the City nor CERS. Employees may participate in this program for up to five (5) years. At the end of three (3) years, the City will evaluate the cost impact of this program. If the cost impact to the City or CERS is greater than the savings, the City agrees to meet and confer to impasse prior to imposing any changes in the DROP Plan. If the City proposes to change the DROP Plan, the 90% cap on CERS would also be re-negotiated. Employees who elect to participate in DROP will cease participation in CERS, and will participate in an SPSP-type plan with a mandatory 3.05% employee contribution matched by 3.05% employer contribution.

Issue No. 3 - EMPLOYER CONTRIBUTION RATES

A. Employer rates will be calculated using the Projected Unit Credit (PUC) method. For FY96 and FY97, the City will pay the budgeted rates (bifurcated rate) of 7.08% (blended rate) and 7.33% respectively, and increase the rate paid by 0.50% each year until the rate paid reaches the EAN calculated rate. At such time as the PUC and Entry Age Normal (EAN) rates are equal, the System will convert to EAN.

Employer Contribution Rate Stabilization Plan

Period	PUC Rate	City Paid Rate	Difference %	Difference $
FY96	8.60%	7.08%	1.52%	$5.33m
FY97	10.87%	7.33%	3.79%	$13.88m
FY98	12.18%	7.83%	4.35%	$16.67m
FY99	12.18%	8.33%	3.85%	$15.40m
FY2000	12.18%	8.83%	3.35%	$14.00m
FY2001	12.18%	9.33%	2.85%	$12.45m
FY2002	12.18%	9.83%	2.35%	$10.72m
FY2003	12.18%	10.33%	1.85%	$8.82m
FY2004	12.18%	10.83%	1.35%	$6.73m
FY2005	12.18%	11.33%	.85%	$4.43m
FY2006	12.18%	11.83%	.35%	$1.91m
FY2007	12.18%	12.18%	-0-	-0-
FY2008	13.00	13.00%	-0-	-0-
TOTAL				$110.35*

*$110.35 million paid from excess earnings includes $71.31 million in contributions as a result of benefits improvements recommended herein.

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B. The City will pay the agreed-to rates shown above for FY 96 through FY 2007. In the event that the funded ratio of the System falls to a level 10% below the funded ratio calculated at the June 30, 1996 actuarial valuation which will include the impact of the benefit improvements included in this Proposal, the City-paid rate will be increased on July 1 of the year following the date of the actuarial valuation in which the shortfall in funded ratio is calculated. The increase in the City-paid rate will be the amount determined by the actuary necessary to restore a funded ratio no more than the level that is 10% below the funded ratio calculated at the June 30, 1996 actuarial valuation.

C. If the System's actuary makes changes in actuarial assumptions or methodology which are approved by the Board prior to July 1, 2007, any changes in the employer contribution rate will adjust the PUC rate to be achieved through extended incremental increases shown in paragraph A above. If the phase-in would require an extension past July 1, 2009 in order to achieve the full actuarial PUC rate, the City-paid rate will be adjusted by the amount necessary to achieve full phase-in by that date.

Issue No. 4 - SURPLUS UNDISTRIBUTED EARNINGS AND RESERVES

The System's actuary performs an annual actuarial valuation which shows the present value of accrued liabilities and the value of assets allocated to funding. To the extent that liabilities exceed assets, the System will show an unfunded liability. The System's liabilities will be impacted in the following ways, including those related to the City Manager's proposal for restructuring the System.

NORMAL LIABILITIES - This liability relates to the impact of actuarial gains or losses recognized when actuarial assumptions are compared to the System's actual experience. When experience is better than assumptions, the System shows actuarial gains and liabilities decrease. When experience is worse than assumptions, the System shows actuarial losses and liabilities increase. This will take place regardless of whether or not the restructuring proposal is approved.

NORMAL COST OF INCREASED BENEFITS - When benefits are increased, liability is created representing the prospective value of those benefits. Employee and employer contribution rates are increased for the purpose of paying that cost as it is accrued.

PAST SERVICE LIABILITY OF INCREASED BENEFITS - The proposed restructuring provides for an increase in the formula for calculating benefits. This means that, in the case of a general member, each year of accrued service that had a value of 1.45% of final average salary at age 55, increases in value to 2.00% of final average salary at age 55 upon the effective date of the increase. This increases the cost to the System to pay the benefit, which increases liabilities since no contributions have been received in the past to fund the benefit at this level. This is what is known as past service liability.

The actuary has estimated the amount of past service liability created by the restructuring proposal to be $76.7 million expressed in 1996 dollars.

CONTRIBUTION SHORTFALL LIABILITY - The restructuring proposal provides that the employer contribution rate will be "ramped up" to the actuarially recommended rate in increments over the next 10 years. This means that the System will be receiving less in contribution dollars over that period, which creates an additional liability.

The actuary has estimated the amount of contribution shortfall liability created by the restructuring proposal to be $30.0 million expressed in 1996 dollars.

A. The system has "surplus" undistributed earnings and a balance in the Earnings Stabilization Reserve as follows:

FY ended 6-30-95	$ 38,813,314
FY ended 6-30-96	85,472,254
Earnings Stabilization Reserve	10. 769,620
Total	$135, 055,188

The actuary has estimated increased liabilities associated with the restructuring proposal in the amount of $106,700,000 (see the discussion segment above). Credit the Employer Contribution Reserve in the amount of $106,700,000 for the purpose of discharging the restructuring liability. Credit the Employer Contribution Reserve with $28,356,188 (the remaining balance) for the purpose of reducing the System's normal unfunded liability.

<u>TOTALITY OF THE PROPOSAL</u>

If the necessary contingencies identified to approve this Proposal in its entirety are not affirmatively met by January 1, 1997, then:

A. Retiree Health Insurance will remain a City provided benefit, rather than CERS;

B. The CERS benefit improvements listed in Issue No. 2 would not occur;

C. The employer contribution rates to be paid would be those established by the System's Actuary.

In order to facilitate the accomplishment of this Proposal, it is recommended that the CERS Board direct that the $106,700,000 identified in Issue No. 4 as the amount necessary to discharge the restructuring liability be set aside in a reserve until January 1, 1997.

ATTACHMENT #2

SCHEDULE FOR DISTRIBUTION OF EARNINGS
FISCAL YEAR ENDED 6-30-00

UNDISTRIBUTED EARNINGS AT 6-30-00			$415,934,184
DISTRIBUTIONS:			
SDMC 24.1502 (a) (1)	EMPLOYER CONTRIBUTION RESERVE	$ 33,631,231	
SDMC 24.1502 (a) (1)	EMPLOYEE CONTRIBUTION RESERVE	21,119,014	
SDMC 24.1502 (a) (2)	ADMINISTRATIVE BUDGET	17,700,930	
SDMC 24.1502 (a) (3)	GENERAL RESERVE	22,431,567	
SDMC 24.1502 (a) (3)	CREDIT DROP ACCOUNTS AT 8%	2,333,465	
	SUBTOTAL	97,216,200	$ 318,717,984
SDMC 24.1502 (a) (3)	CREDIT 13TH CHECK RESERVE AT 8%	282,915	
SDMC 24.1502 (a) (3)	CONTINGENCY RESERVE (CITY)	100,000,000	
SDMC 24.1502 (a) (4)	CONTINGENCY RESERVE (UPD)	5,838,008	
SDMC 24.1502 (a) (5)	EMPLOYER CONTRIBUTION RESERVE CITY (HEALTH INSURANCE)	12,771,254	
SDMC 24.1502 (a) (6)	13th CHECK	3,537,072	
SDMC 24.1502 (a) (7)	CORBETT RETROACTIVE PAYMENT	23,614,741	
SDMC 24.1502 (a) (8)	CREDIT SUPP. COLA RESERVE AT 8%	2,643,834	
SDMC 24.1502 (a) (8)	CREDIT EMPLOYEE CONTRIBUTION RATE RESERVE AT 8%	3,341,244	
SDMC 24.1502 (a) (3)	NPO RESERVE	7,937,000	
	SUBTOTAL		159,966,068
SDMC 24.1502 (b)	TO EMPLOYER CONTRIBUTION RESERVE	$158,751,916	

FILE: W:\EXEC\BDSEC\EARNINGS 00 (3)
UPDATE 08/09/01

VE SUM 01363

PENSION_E0000834

ATTACHEMENT TO DISTRIBUTION OF EARNINGS FOR FY 00

BACKGROUND:
The earnings of the System are defined as realized, or cash, earnings. They are comprised of interest and dividends received, net purchase discounts and premiums on fixed income instruments, and net realized gains and losses on the sale of stocks. Distribution of earnings is determined by the Board in priority order established in the Municipal Code. A description of the Municipal Code provisions is shown below and the recommended distribution is shown on the attached schedule.

SDMC 24.1502 (a) (1)	Credit the contribution accounts of the employers (City and UPD) and members of the System (City and UPD) at a rate determined by the Board. Historically, the rate has been the actuarial assumption rate, which is currently 8%.
SDMC 24.1502 (a) (2)	The System's operating budget.
SDMC 24.1502 (a) (3)	"An amount necessary to maintain such reserves as the Board deems appropriate on advice of its investment counselor and/or Actuary;" The Board has created four reserves under this section: the General Reserve; the Reserve for Employee Contributions; and, the NPO Reserve. NPO stands for Net Pension Obligation, which is the actuarial present value of the difference between the employer contribution rate recommended by the Actuary and the rate actually paid by the City. As a part of the annual actuarial valuation, the Actuary recommends the amount of this reserve. The schedule shows the difference between that recommendation and the current reserve balance.
SDMC 24.1502 (a) (4)	Proportional share of earnings to UPD. This represents the UPD's share of earnings used to fund programs or benefits in which they do not participate, such as retiree health insurance.
SDMC 24.1502 (a) (5)	Health Insurance.
SDMC 24.1502 (a) (6)	13th Check.
SDMC 24.1502 (a) (7)	Corbett Retiree Liability
SDMC 24.1502 (a) (8)	Credit the Supplemental COLA Reserve and the Employee Contribution Reserve with earnings at the same rate as the Employee and Employer Contribution Reserves above, currently 8%.
SDMC 24.1502 (b)	The remaining balance is credited to the Employer Contribution Reserve "... for the sole and exclusive purpose of reducing Retirement System liability."

File: w:\exec\bdsec\earnings 00 (3) Update 8/9/01

VE SUM 01364

PENSION_E0000835

ATTACHMENT #3

File

CITY OF SAN DIEGO
MEMORANDUM

DATE: May 13, 2002

TO: Michael T. Uberuaga, City Manager

FROM: Frederick W. Pierce IV, Retirement Board President

SUBJECT: Blue Ribbon Committee Recommendations

I have reviewed with Larry Grissom your memorandum to him dated April 22, 2002. Mr. Grissom indicated that your staff has advised that in order to meet the deadline of June 30, 2002, presentation materials are due to you no later than May 22, 2002.

As you are aware, funding of our Retirement System revolves around a set of very complex and detailed issues. No report or recommendations on an issue of this magnitude should be presented to the City Council without the full understanding and support of the Retirement Board. To this end, upon receiving your memorandum, I immediately directed Mr. Grissom to work with a sub-committee of the Board and with appropriate members of your staff to develop a report for the Retirement Board's consideration and action.

The Retirement Board's regular monthly meeting is not until May 24, 2002, with an additional special meeting on FY 2001 undistributed earnings scheduled for May 29, 2002. Given this schedule, it will be impossible to schedule additional meetings of the Board in order to meet the May 22, 2002 deadline.

Given our meeting schedule, the work required to prepare a report and the time necessary to have the Retirement Board take action, I would respectfully request an extension to September 30, 2002, for our presentation to the Council Rules Committee. This will provide the time necessary to develop and approve a comprehensive and understandable report on this important issue.

Should you have any questions, please contact Mr. Grissom at (619) 533-4655.

Frederick W Pierce, IV
Frederick W. Pierce, IV by ceh
Retirement Board President

FWP:LBG:ch

Post-it® Fax Note 7671	Date 6-3 # of pages ▶ 1
To L. Lexin	From Lg/th
Co./Dept.	Co.
Phone #	Phone #
Fax #	Fax #

VE SUM 01365

PENSION_E0000836

III. RETIREMENT BENEFITS AND UNFUNDED PENSION LIABILITIES

All full time City employees participate in the San Diego City Employee Retirement System (SDCERS), which is the City's Defined Benefit Pension Plan. As a defined benefit plan, retirement benefits are determined primarily by a member's age at retirement, the length of membership service and the member's final compensation earnable based on the highest one-year period.

The level of retiree benefits is a policy issue. The question to be addressed by the Committee is how these benefit policies affect the fiscal health of the City. The Committee did not address the issue of how the City's pension assets are invested.

Employee retirement benefit liabilities of the City comprise two issues:

- Pension Benefits
- Retiree Health Benefits

A. PENSION BENEFITS

The Committee has two concerns regarding the Retirement Benefit Liability:

1. *Whether the City is paying out of its current year's budget the full cost being incurred by its current workforce for their future pension and retiree health benefits.*
2. *Whether the budgetary process adequately comprehends the steadily growing annual expense obligation, particularly given the uncontrollable and non-discretionary nature of this liability.*

The potential risk is that policy makers grant benefit enhancements today (to satisfy employee concerns, to negotiate trade offs with unions, etc.), but avoid recognizing the actual annual cost of such by actuarially spreading the cost over years far out in the future, long after the individuals who made the policy decisions are gone. This is particularly acute where the retiree benefit enhancements are granted "retroactively", i.e. new improved benefits, which are applied to past, as well as future, years of service for active employees. This retroactive approach is the general practice of the City.

Major pension improvements (20% increase) were implemented in Fiscal Year 1997 and benefits were increased by another 12% in Fiscal Year 2000 as a result of a litigation settlement. San Diego County is in the final stages of approving major pension improvements, exceeding San Diego City benefits. This will undoubtedly lead to pressure for further increases for City employees.

The City's annual cash contribution expense for pension was $68 million for Fiscal Year 2001. This is one of the larger items in the City's overall budget. Further, this expense line item has been growing at about a 9% per year compound rate the last five years and at a much faster rate if measured back 10 years.

The chart below shows that the annual cash contribution to the Pension Trust Fund has been steadily increasing faster than the underlying payroll base. This is a serious concern.

Fiscal Year	Payroll Base (In millions) (a)	Cash Contribution to Pension Trust Fund (in millions) (b)	Cash Contribution as Percent of Payroll Base (b) / (a)
1992	$313	$27.4	8.8%
1993	$321	$31.2	9.7%
1994	$338	$34.6	10.2%
1995	$351	$38.6	11.0%
1996	$365	$43.7	11.9%
1997	$383	$47.5	12.4%
1998	$399	$51.0	12.8%
1999	$425	$55.4	13.0%
2000	$449	$60.7	13.5%
2001	$479	$67.6	14.1%

The City has an unconventional actuarial driven plan that has the City's annual cash contribution for pension benefits (i.e. budget expense) to the SDCERS Trust Fund increasing a half percentage point of total payroll base each year until the actuarial formula is in balance. This half point step increase each year could go on for years, how many years depending on actual pension fund results versus actuarial assumptions.

The following example illustrates the magnitude of this situation:

- Fiscal Year 2001 expense was $68 million.
- If payroll dollars increase 6% per year, due to inflation plus staff growth, and the .5% increase in pension expense rate continues for at least five years, then Fiscal Year 2006 expense would be $106 million, a 57% or $38 million increase. And this is a non-discretionary item in the budget. Any improvements in pension benefit granted in the future, particularly if they apply to past service, will significantly exacerbate this problem.

B. RETIREE HEALTH BENEFITS

Of equal concern is the "unfunded" retiree medical liability. Retiree health benefits are, as of a 1996 citizen vote, effectively being paid out of the SDCERS Trust Fund on a cash incurred basis (as distinct from the expense being accrued and actuarially cash flow funded annually when the benefits are earned). Fiscal Year 2000 retiree health benefit expense was $5.4 million. Fiscal Year 2001 was $7.2 million, a 33% increase. While this expense line item is much smaller than the pension expense, it might be a false comfort and therefore misleading. The amount of the total unfunded retiree medical liability is not

[3] Resulting percentage varies from an actuarially mandated .5% per year increase due to varying amount of employee contributions paid for by the City.

addressed in SDCERS or City financial documents. The actual annual, budgeted expenditure for this binding obligation appears to be an "indirect" part of the actuarial computation to develop the annual pension cash contribution. The City's practice is in accordance with current Generally Accepted Government Accounting Principles (GAAP). However, 12 years ago GAAP was changed for private industry to require the recognition annually of the cost of future retiree health benefits being "earned" that year by the current work force. The reason for this accounting change was the growing concern over the very sizeable liabilities for future payments that were not being fully recognized.

The Committee recognizes the City has the potential for this same problem, i.e. a sizeable, growing liability for future payments. The City has a growing workforce, an early age for retirement (50 for Public Safety employees and 55 for General employees), a lengthening of life spans, and an ever increasing cost of health care. As a consequence, retiree medical costs represent a "non-discretionary" expense, which will grow faster and most probably much faster, than the current employee salary base in the City budget.

While this retiree medical cost is currently a relatively small budget item, it will most likely grow at an increasing rate, in essence for costs of prior years' employee service. It is conceivable this liability at today's present value could exceed $100 million. It is unclear how well the City policy makers appreciate this overall expense issue and how it will affect the City budget in the future.

C. FUNDING LEVEL

SDCERS is not in a fully funded position. It is currently funded at 97% (i.e. its current assets equaled 97% of the actuarially computed present value of the future Pension Plan liabilities). The absolute dollar amount of under funding hit a peak of $148 million in Fiscal Year 1999. Excellent Pension asset investment performance reduced that unfunded liability to $69 million in Fiscal Year 2000. However, investment performance in Fiscal Year 2001 was less than half of the excellent performance in Fiscal Year 2000. Investment performance in the first seven months of Fiscal Year 2002 is lower than in Fiscal Year 2001. It is expected that the forthcoming actuarial report will show an increase in the unfunded dollar amount.

San Diego City Employees' Retirement System Financial Information
For Fiscal Years 1996 – 2001
($ IN MILLIONS)

	2001	2000	1999	1998	1997	1996
Pension Fund Assets	$2,807	$2,999	$2,476	$2,272	$1,855	$1,604
City Pension Expense	$68	$61	$56	$51	$48	$44
Pension Plan & Health Benefits Paid	$155[1]	$112	$100	$85	$67	$62
Unfunded Actuarial Accrued Liability	Not available	$69	$148	$125	$117	$140
Retiree Health Benefits Expense	$7	$5	$5	$4	$5	$5

[1] includes $24 million Corbett pay out settlement.

VE SUM 01368

PENSION_E0000839

EXHIBIT 7

581888p
581886
Wastewater Hot 03-06-06

Email message text
Object type: [GW.MESSAGE.MAIL]
Item Source: [Received]
Message ID: [40AB48DE.TRINITY.FIR.100.1397868.1.6909.1]
From: [Rachel Shira]
To: [;Kathi Ward;KWard@sandiego.gov;Rossana Burgess;RBurgess@sandiego.gov;Tom Story;TStory@sandiego.gov]
Subject: [Fwd: Meeting with the Mayor]
Creation date: [5/19/2004 11:45:34 AM]
In Folder: [Trash]
Attachment File name: [c:\44932fir\TStory\10415.1-TEXT.htm.(IN TRASH)]
Attachment File name: [c:\44932fir\TStory\10415.2-GW.MESSAGE.MAIL.(IN TRASH)]
Message: [
Hi Kathi,
Thanks for the call...we are confirmed for Wednesday, May 26, from 9:00-10:00am. Would you please email me the names of who else is attending? Also, don't forget I'll need a summary/briefing by Tuesday, May 25th.

Thanks again,
Rachel

Rachel Shira
Director of Scheduling
Mayor Dick Murphy
City of San Diego
619-236-6249
rshira@sandiego.gov

]

Email message text
Object type: [GW.MESSAGE.MAIL]
Item Source: [Received]
Message ID: [40AB48DE.TRINITY.FIR.200.2000007.1.B4BD.1]
From: [Rachel Shira]
To: [;Kathi Ward;KWard@sandiego.gov;Richard Mendes;RMendes@sandiego.gov;Rossana Burgess;RBurgess@sandiego.gov;Tom Story;TStory@sandiego.gov]
Subject: [Meeting with the Mayor]
Creation date: [5/19/2004 11:07:03 AM]
In Folder: [Trash]
Attachment File name: [c:\44932fir\TStory\10415.2.1-TEXT.htm.(IN TRASH)]
Message: [
Hi Kathi,
Per my voicemail, I would like to schedule a meeting with Richard and the Mayor regarding the Cost of Service Study and the sewer issues that are coming before council on June 8th. The Mayor has time on Wednesday, May 26 from 9:00-10:00am. Will you please let me know if Richard and whomever he'd like to bring can make it at that time. Unfortunately, that is the only date and time the Mayor has available.

In addition, Tom Story thought it a good idea for a summary/briefing of the above issues be provided to the Mayor before the meeting on Wednesday. I would need it by close of business on Tuesday, May 25.

Thank you and I hope to hear from you soon.

Rachel

Rachel Shira
Director of Scheduling
Mayor Dick Murphy
City of San Diego
619-236-6249
rshira@sandiego.gov

]

Email message text
Object type: [GW.MESSAGE.MAIL]
Item Source: [Received]
Message ID: [40ADBFEB.TRINITY.FIR.100.1397868.1.695E.1]
From: [Kathi Ward]
To: [;Tom Story;TStory@sandiego.gov]
Subject: [Re: 5/26 11am meeting on Cost of Service]
Creation date: [5/21/2004 8:38:02 AM]
In Folder: [Trash]
Attachment File name: [c:\44932fir\TStory\10469.1-TEXT.htm.(IN TRASH)]
Message: [
Tom,
this is in preparation of the meeting w/Mayor Murphy on COS which is set for Tues 5/26. Also, issues regarding Kelco will also be discussed.
thanks,
Kathi

>>> Tom Story 5/20/04 5:08:12 PM >>>
I'm available 2-3:30 tomorrow. what is the purpose of the mtg? Tom

>>> Kathi Ward 05/20/04 02:41PM >>>

Richard has a meeting with the Mayor @ 10m on 5/26. So this meeting needs to be moved ahead of that one. Richard is available tomorrow to meet with you at the times below. He only needs 15 minutes. Please advise your availability. Thanks.

Fri 5/21
8am to 10am
1pm to 3:30pm

Kathi

]

581912
Wastewater Hot 03-06-06

Email message text
Object type: [GW.MESSAGE.MAIL]
Item Source: [Received]
Message ID: [40ACC39A.TRINITY.FIR.100.1397868.1.6945.1]
From: [Kathi Ward]
To: [;Andrew Poat;APoat@sandiego.gov;George Loveland;GLoveland@sandiego.gov;Lynne Rich;LRich@sandiego.gov;Patricia Frazier;PFrazier@sandiego.gov;Dennis Kahlie;DKahlie@sandiego.gov;Pamela Holmberg;PHolmberg@sandiego.gov;Tom Story;TStory@sandiego.gov]
Subject: [5/26 11am meeting on Cost of Service]
Creation date: [5/20/2004 2:41:27 PM]
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Attachment File name: [c:\44932fir\TStory\10460.1-TEXT.htm.(IN TRASH)]
Message: [
Richard has a meeting with the Mayor @ 10m on 5/26. So this meeting needs to be moved ahead of that one. Richard is available tomorrow to meet with you at the times below. He only needs 15 minutes. Please advise your availability. Thanks.

Fri 5/21
8am to 10am
1pm to 3:30pm

Kathi

]

581944
Wastewater Hot 03-06-06

Email message text
Object type: [GW.MESSAGE.MAIL.Internet]
Item Source: [Received]
Message ID: [40B4820D.TRINITY.FIR.200.2000012.1.11899.1]
From: ["Becky Warren" <bwarren@calrest.org>]
To: [;Rachel Shira;RShira@sandiego.gov]
Subject: [Meeting with the Mayor tomorrow]
Creation date: [5/26/2004 11:18:41 AM]
In Folder: [Trash]
Attachment File name: [c:\44932fir\TStory\10519.2.1-Mime.822.(IN TRASH)]
Message: [
Rachel,

I hope you are having a nice week.

I just wanted to confirm our meeting tomorrow with the Mayor at 9:00 a.m. Attendees to the meeting will be myself, Chris Cramer with Karl Strauss, David Cohn with the Cohn Restaurant Group, Susie Baumann with Bali Hai/Lighthouse and Michael McGeath with Trattoria Acqua.

We are meeting to discuss our sewer rates and the Cost of Service Study that will be at Council on June 8. I have copies of two letters that we sent to the Mayor regarding this issue and if I could get your fax number I would like to fax them to you today just so they are easily accessible for the meeting tomorrow.

We greatly appreciate the meeting. Thank you very much.

Becky

Becky Warren
Director of Local Government Affairs
California Restaurant Association
(619) 230-0764
(619) 230-0784 (fax)
www.calrest.org

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